

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

-----X	:	
In re	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Steven W. Rhodes
	:	
-----X	:	

**CITY OF DETROIT’S RESPONSE IN OPPOSITION TO SYNCORA’S
MOTION TO EXCLUDE THE TESTIMONY OF JOHN W. HILL**

Syncora Capital Assurance Inc. and Syncora Guarantee Inc. (together, “Syncora”) concedes that the City’s CFO, John W. Hill, may offer the vast bulk of his testimony, including his fact testimony regarding the City’s Consensus Revenue Conference Report that he and his staff compiled. *See* Syncora Motion to Exclude ¶ 1. Syncora nonetheless seeks to exclude Mr. Hill’s expert testimony on two discrete issues: (1) that revenue estimates in the baseline Ernst & Young (EY) forecast for FY 2014-2016 are “consistent with” estimated revenues in the Consensus Revenue Conference Report and (2) that certain estimates of projected expenses and revenues for the restructuring and reinvestment initiative are “reasonable.” *Id.* ¶ 1.

Syncora fundamentally misunderstands Mr. Hill's opinions and ignores his knowledge, skill, and prior experience as a reliable basis for his opinions. The Court should deny Syncora's Motion and admit Mr. Hill's reliable and helpful expert testimony.

I. BACKGROUND

1. Mr. Hill is the Chief Financial Officer ("CFO") for the City, appointed by the City's Emergency Manager (the "EM") in November 2013. Mr. Hill reports directly to the EM and oversees a staff of over 250 City employees and outside advisors. Mr. Hill also coordinates with, among others, the City's financial and operational restructuring advisors, Ernst & Young LLP ("EY") and Conway MacKenzie, Inc. ("Conway"). As CFO, Mr. Hill oversees, manages, and controls all financial and budgetary aspects of the City, and few people know the City's finances better than Mr. Hill does.

2. Mr. Hill has over 30 years of professional experience in accounting, auditing and financial matters, including significant management expertise in public sector accounting, municipal budgeting, and restructuring government operations and finances. Hill Dep. at 18:6 – 23 (Attached hereto as Exhibit A).

3. Mr. Hill previously played a leading role in restoring financial and operational vitality to the District of Columbia ("DC") when it was experiencing a severe fiscal crisis. Starting in the mid-1990s, while serving as a Director of the Financial Management Policies and Issues, Accounting and Information

Management Division, of the United States General Accounting Office (the “GAO”), Mr. Hill was the GAO’s chief witness before Congress regarding the DC’s financial and operational crisis. Hill Dep. at 15:23 – 16:12. He was intimately involved in the research, development, and implementation of the DC Financial Control Board (the “DC Control Board”), which was created by President Clinton on April 17, 1995. The purpose of the DC Control Board was to eliminate DC’s budget deficits and cash shortages, assist DC in restructuring its government operations to achieve more efficient and effective service delivery, and ensure DC’s economic viability. *See generally* District of Columbia Financial Responsibility and Management Assistance Act of 1995, Pub. L. No. 104-8, 109 Stat. 97.

4. Mr. Hill served as the DC Control Board’s first Executive Director from 1995 through 1999. In that capacity he was responsible for overseeing essentially all aspects of DC’s finances and operations. Hill Dep. at 204:23 – 205:12. He also managed a staff of 35 employees, testified before Congress numerous times, and coordinated his efforts with the City’s elected leaders, Control Board members, members of Congress, the Office of the President, and other business and community leaders. Among his responsibilities was supervising the development of DC’s forecasting, budget restructuring and implementation, and service delivery revitalization. *See generally* Hill Dep. at 20:15 – 18; 22:13 – 18.

5. Mr. Hill is engaged in many of the same activities and analyses today. Hill Dep. at 20:15 – 18; 22:13 – 18; 192:10 – 17; 314:12 – 17. Mr. Hill considers his prior experience as a significant component of his testimony and, in providing his opinions and analysis as a witness in this proceeding, he “brings all of [his] knowledge about those other experiences and the current situation in Detroit to bear.”¹ Hill Dep. at 15:18 – 20.

6. The City intends to offer Mr. Hill as an expert in municipal finance and restructuring. As part of the City’s arguments in support of the feasibility of the City’s proposed Plan for the Adjustment of Debts (the “Plan”), the Court will need to hear expert testimony regarding the City’s budget formulation and projection process, EY’s and Conway’s involvement in that process, and whether the City can afford to fund normal municipal operations, make the payments to creditors contemplated under the Plan, and invest in the City so that it provides adequate services to its residents and businesses.

¹ Mr. Hill will also testify about his private sector experience relevant to the formation of his opinions. For example, in addition to serving as Detroit’s CFO, Mr. Hill is also on the Board of Directors of CoStar Group (NASDAQ – CSGP) (“CoStar”) and serves as the Chair of CoStar’s Audit Committee. In this role he is considered an “audit committee financial expert” as defined by regulations promulgated by the Securities and Exchange Commission based on, among other things, his experience, qualifications, and skills. As Chair of the Audit Committee Mr. Hill assists the CoStar Board in fulfilling its oversight responsibilities as to accounting policies, internal controls, audit activities and reporting practices.

II. ARGUMENT

7. As it pertains to this motion, Mr. Hill will offer three expert opinions:

- (a) The City will have projected revenues and expenses for its 2014, 2015, and 2016 fiscal years as set forth in its March 18, 2014 Revenue Consensus Conference Report (the “RCCR”), attached to Syncora’s Motion to Exclude at Exhibit 6D. The RCCR is a standard process used by the City and other Michigan municipalities to project their financial position. In this case, the conclusions of the RCCR also were reviewed and unanimously accepted by the Detroit Financial Advisory Board.
- (b) The assumptions underlying the RCCR are reasonable.
- (c) The estimates made by the RCCR are consistent with the EY baseline scenario revenue projections made by EY for those years.

8. Syncora’s attack is an almost-studied misconstruction of Mr. Hill’s expert report and opinions. Syncora argues that Mr. Hill has no reliable basis to testify as an expert on EY’s forecasts (or whether those forecasts are consistent with forecasts he oversaw the development of as the City’s CFO and outside of EY’s work). Syncora Motion at ¶ 1. Syncora also complains that Mr. Hill “improperly vouches” for the EY expert opinions and thus is providing cumulative, duplicative, and irrelevant evidence. Syncora Motion at ¶ 2.

9. At the outset, it is clear that Mr. Hill is an expert in this area. He has had years of private and public sector work, including relevant experience at the GAO, his years as the Executive Director of the DC Control Board, and his time as

the City's CFO. It would be difficult to locate a witness with greater experience in managing the finances of a distressed city.

10. As an expert, Mr. Hill has the latitude to determine what facts and evidence are relevant to him in reaching his opinions. "The Federal Rules of Evidence allow an expert great liberty in determining the basis of his opinions." *United States v. L.E. Cooke Co., Inc.*, 991 F.2d 336, 342 (6th Cir. 1993). And, moreover, "where an expert's testimony amounts to 'mere guess or speculation,' the court should exclude his testimony, but where the opinion has a *reasonable factual basis*, it should not be excluded." *Id.* (emphasis added). Syncora's limited citations to Mr. Hill's deposition transcript omit passages of his deposition testimony where Mr. Hill testified that he brought his knowledge and experience to bear to formulate his opinions, conclusions, and analysis here.

11. More basically, Mr. Hill's testimony will not constitute "improper vouching" for EY's forecasts. Instead, his opinion is that the RCCR – which used a fundamentally different methodology than EY's – can be compared on an apples-to-apples basis and reached essentially the same result.

12. Finally, Mr. Hill's opinion testimony is relevant to the feasibility of the Plan. As the City's CFO, Mr. Hill will be responsible for implementing the Plan and ensuring there is enough money for the obligations the City will undertake in the Plan. It is difficult to see how the testimony of the City's CFO would not be highly relevant to Plan confirmation.

A. Mr. Hill's Opinions Are Reliable And His Qualifications Provide A Foundation To Opine On the Plan, Its Projections, And Its Feasibility

13. Citing to a out-of-context snippet from Mr. Hill's deposition, Syncora argues that Mr. Hill cannot comment on the reasonableness of EY's forecasts because he has "not personally done any economic forecasting," Syncora Motion ¶ 13, and cannot "explain how the figures in his report were calculated," Syncora Motion. at ¶ 14. Syncora is wrong and misrepresents the record.

14. Mr. Hill's opinions regarding the reasonableness of EY's forecasts are premised upon his experiences, which include financial forecasting:

Q. Have you ever done forecasting for a city?

A. Yes, I have done.

Q. And was that the District of Columbia?

A. Yes.

...

Q. Have you ever forecast tax revenues before?

A. Yes.

Q. And was that at the City of – the District of Columbia?

A. Yes.

...

Q. Okay. Does the City do any forecasting of expenditures?

A. Yes. Its budgets are forecasts of expenditures.

Q. And are those one-year forecasts?

A. No. Those are three-year budgets.

Q. Okay. So the City – the forecasting the City does is it does a three-year forecast of revenue and expenditures in its budget, and it does a three-year forecast of revenues in the consensus revenue estimate?

A. That's not accurate. The City does a three-year forecast of revenues in its – in the revenue consensus and then uses those revenues in its budget and then does a forecast of expenditures in the budget against those revenues.

Hill Dep. at 20:15 – 19; 22:13 – 18; 79:22 – 80:13.

15. As Mr. Hill also indicated in his deposition, he will be able to testify about the factors and extensive work that went into generating the calculations and why in his opinion those calculations are reasonable and facilitate the feasibility of the Plan:

Q. I guess, what are you planning to testify about at the confirmation hearing, if you know?

A. The testimony hasn't been prepared. It really will depend on preparation for confirmation. But in general, whether or not the items under the plan, that is, the restructuring initiatives under the plan, specific restructuring initiatives have the funding that's needed within the plan in order to be able to have them implemented over the time periods that are indicated in the plan. I would testify to that and would – as you know, the plan does not require any borrowings other than the ones that – the two that are in the plan over the first 10 years. And so the question is, are the – are the forecasts in the plans of revenue enough for the City to operate under the plan and also have enough funding to implement the – the Plan of Adjustment items that I'm specifically involved in the plan. So that's –

Hill Dep. at 76:22 – 77:20.

16. Mr. Hill’s testimony clearly is not based on “mere guess or speculation,” and there is little doubt that his testimony will “assist the [court] in understanding the evidence or determining a material fact in question”—the feasibility of the Plan. *Rondigo, L.L.C. v. Casco Twp*, 537 F. Supp. 2d 891, 892 (E.D. Mich. 2008) (citing *Flanagan v. Altria Group, Inc.*, 423 F. Supp. 2d 697, 699 (E.D. Mich. 2005) and *Daubert v. Merrell Dow Pharm. Inc.*, 509 U.S. 579, 592-93, n. 10 (1993)). Although Syncora remains free to argue with Mr. Hill about his work, “any weaknesses in the factual basis of an expert witness’ opinion, including unfamiliarity with standards, bear on the weight of the evidence rather than on its admissibility.” *L.E. Cooke Co., Inc.*, 991 F.2d at 342 (citing *Davis v. Combustion Engineering, Inc.*, 742 F.2d 916, 919 (6th Cir. 1984) and *Upjohn Co. v. Rachelle Laboratories, Inc.*, 661 F.2d 1105, 1112 (6th Cir. 1981)).

B. Mr. Hill Is Not ‘Vouching’ For Other City Experts Nor Is His Testimony Cumulative or Irrelevant

17. As required by section 8-213 of the Detroit City Charter and section 3.1 of the Financial Stability Agreement between the City and the State, each year the City develops revenue estimations for the City’s five major revenue sources for the succeeding three fiscal years. These five revenue sources constitute over 60% of the City’s annual general fund revenue. Syncora Mot. to Exclude Ex. 6D at POA00538974. As noted in Mr. Hill’s expert report, Syncora Mot. to Exclude Ex. 6A, conference participants arrived at their estimations independent of each other

and EY. The results of this process were within 1% to 2% of EY's forecasts for the same fiscal years, Syncora Mot. to Exclude Ex 6A at POA00002042. As Mr. Hill testified during his deposition, the purpose of the revenue conference was to identify any "major differences between the Plan of Adjustment and what the conference was projecting" so as to make corrections to the Plan's projections and avoid a situation where EY's forecasts "have a revenue number that's there [but is not] expect[ed] to" be available to the City in the future. Hill Dep. at 307:15 – 308:3.

18. Syncora makes three arguments in an attempt to preclude the City from offering this testimony, all of which fail. *First*, Syncora believes that Mr. Hill's testimony comparing the revenue estimation conference to EY's forecast "will add nothing beyond the testimony of the experts who actually created" EY's forecasts, thus constituting nothing more than vouching for the City's other experts. Syncora Mot. to Exclude ¶¶ 16 – 17. But this is a mischaracterization of the opinion Mr. Hill would give. Mr. Hill will testify about the methodology he and the other revenue conference participants employed and their conclusions. Since Mr. Hill also knows the methodologies used by EY, he is in a position to testify that the results reached by the two approaches are properly compared and, since EY and the RCCR reached almost the same conclusions, this corroborates the reliability of each approach. Moreover, Mr. Hill has done more than review EY's expert report "from a macro level" – he has worked closely with EY and Conway

and while they will testify as to *how* their forecasts were created, Mr. Hill will testify as to *why* those forecasts make the Plan feasible from the perspective of the person who will be responsible for implementing the Plan if it is confirmed.

19. The “improper vouching” cases cited by Syncora are inapposite. For example, in *In re James Wilson Assocs.*, 965 F.2d 160, 173 (7th Cir. 1992), the expert testimony was excluded not for improper vouching but because it was hearsay. In *Hartle v. First Energy Generation Corp.*, ___ F. Supp. 2d ___, 2014 WL 1007294, at *13 (W.D. Pa. Mar. 17, 2014), the court excluded the expert testimony because the proposed expert had done no independent analysis, had merely reviewed the other proposed experts’ reports and examined their work “from the macro perspective,” and was purporting to opine on the credibility of other experts.

20. *Second*, Syncora thinks that the Court is better suited than Mr. Hill to perform the arithmetic necessary to compare the RCCR forecasts with those of EY. *Id.* ¶ 19. This, of course, misses the point. Mr. Hill’s testimony would go to the more basic question of whether the two approaches are comparable and whether the results of one do or do not corroborate the other. This meets the threshold that “[e]xpert testimony is relevant...when it will assist the [court] in understanding the evidence or determining a material fact in question.” *Rondigo*, 537 F. Supp. 2d at 892; *see also Hartle*, 2014 WL 1007294 at *3 *citing In re Paoli R.R. Yard PCB Litigation*, 35 F.3d 717, 745 n. 8 (3d Cir. 1994) (internal quotations omitted)

(“[t]he standard for fit is not that high.”). Mr. Hill’s expert testimony meets this threshold.

21. *Third*, Syncora questions the veracity of the RCCR results, suggesting that they were simply another version of EY’s own work. However, Mr. Hill’s deposition testimony rebuts this argument:

Q. And the purpose of having Ernst & Young in the room was to make sure that the revenue estimates that Ernst & Young did – to make sure that the consensus group didn’t adopt revenue estimates that were materially different from Ernst & Young’s; correct?

A. No.

Q. What was the purpose of having Ernst & Young, then?

A. To answer questions, if [conference participants] had any questions, of Ernst & Young. But it wasn’t to influence the group.

Q. And Mr. Naglick said, quote “EY (Shavi) takes part to keep the group on track with comparisons to Plan of Adjustment. They try to mainly listen to the point of view of participants, but then keep them from taking a totally different view from revenues in the plan.” Is that an accurate statement of Ernst & Young’s role?

A. Not exactly. They were to explain what was in the plan so that – Ernst & Young’s role, they were there to explain what was in the plan so that they would be able to understand what revenues were being projected as part of the plan and what revenues were being projected as part of the budget, because there were revenues in the plan that weren’t a part of the budget. So it was more to explain what was in the plan.

...

Q. And you wanted to continue the conference so that you could make sure that it was consistent with what the revenue estimates were in the Plan of Adjustment?

A. No.

Hill Dep. at 305:9 – 306:13; 307:10 – 14.

22. Mr. Hill further clarified that the purpose of the revenue conference was to ensure that the City would not be in a situation where revenue numbers were included in the Plan that the City did not expect to be able to realize – thus undermining its feasibility. Hill Dep. at 307:17 – 308:3. Despite Syncora’s out-of-context deposition citations, there is no evidence indicating the revenue conference was contrived only to further validate EY’s work and Mr. Hill will testify as such.

C. CONCLUSION

23. For the foregoing reasons, Syncora’s Motion to Exclude should be denied and Mr. Hill should be able to testify about the feasibility of the Plan from the perspective of the City’s revenues, forecasts of certain of its expenses, and its ability to pay for and implement the restructuring and reinvestment programs.

Dated: August 27, 2014

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EXHIBIT A

<p style="text-align: right;">Page 1</p> <p>1 JOHN W. HILL 2 UNITED STATES BANKRUPTCY COURT 3 FOR THE EASTERN DISTRICT OF MICHIGAN 4 - - - 5 In Re:) Chapter 9 6 7 City of Detroit, Michigan,) 8 9 Debtor.) Hon. Steven Rhodes 10 _____ 11 12 13 The Videotaped deposition of JOHN W. HILL 14 Taken at 51 Louisiana Avenue, N.W., 15 Washington, D.C. 16 Commencing at 9:03 a.m. 17 Friday, July 18, 2014 18 Before: Gail L. Inghram Verbano 19 Registered Diplomat Reporter, 20 Certified Realtime Reporter, 21 Certified Shorthand Reporter-CA (No. 8635) 22 23 24 25</p>	<p style="text-align: right;">Page 3</p> <p>1 JOHN W. HILL 2 DAN BARNOWSKI, ESQ. 3 DENTONS US, LLP 4 1301 K Street, N.W. 5 Suite 600, East Tower 6 Washington, D.C. 20005 7 Appearing on behalf of the Retiree Committee. 8 9 10 11 DOUGLAS SMITH, ESQ. 12 KIRKLAND & ELLIS, LLP 13 300 North LaSalle 14 Chicago, Illinois 60654 15 Appearing on behalf of Syncora Guarantee, Inc., 16 and Syncora Capital Assurance, Inc. 17 18 19 20 21 22 23 24 25</p>
<p style="text-align: right;">Page 2</p> <p>1 JOHN W. HILL 2 APPEARANCES: 3 4 FRANK J. GUADAGNINO, ESQ. 5 CLARK HILL, PLC 6 301 Grant Street, 14th Floor 7 Pittsburgh, PA 15219 8 Appearing on behalf of the Retirement Systems 9 for the City of Detroit. 10 11 12 13 GEOFFREY S. STEWART, ESQ., 14 DAN T. MOSS, ESQ., 15 BENJAMIN FRIEDMAN, ESQ. 16 JONES DAY 17 51 Louisiana Avenue, Northwest 18 Washington, D.C. 20001 19 Appearing on behalf of the Debtor and the Witness. 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 4</p> <p>1 JOHN W. HILL 2 MICHAEL BHARGAVA, ESQ., 3 ANA VUCETIC (Law Clerk), 4 MOLLY FEIDEN (law Clerk) 5 CHADBOURNE & PARKE, LLP 6 1200 New Hampshire Avenue, NW 7 Washington, D.C. 20036 8 Appearing on behalf of Creditor Assured 9 Guaranty. 10 11 12 13 TELEPHONIC APPEARANCES: 14 15 16 BRENDA L. FUNK, ESQ. 17 WEIL, GOTSHAL & MANGES, LLP 18 700 Louisiana, Suite 1700 19 Houston, Texas 77002 20 Appearing on behalf of Financial Guaranty 21 Insurance Company. 22 23 24 25</p>

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<p style="text-align: right;">Page 9</p> <p>1 JOHN W. HILL 2 Washington, D.C. 3 Friday, July 18, 2014; 9:03 a.m. 4 - - - 5 THE VIDEOGRAPHER: We are on the record 6 at 9:03 a.m. This is the video deposition of 7 John Hill, being taken in the United States 8 Bankruptcy Court, Eastern District of 9 Michigan; In Re: City of Detroit Debtor, on 10 Friday, July 18th, 2014. 11 We are at the location of Jones Day, 12 51 Louisiana Avenue, Northwest, Washington, 13 D.C. My name is Adam Miller, certified legal 14 video specialist. The court reporter today 15 is Gail Verbano. We are in association with 16 Elisa Dreier Reporting Corp., 950 Third 17 Avenue, 5th floor, New York, New York. 18 Will counsel please introduce themselves 19 for the record. 20 MR. SMITH: Doug Smith for Syncora. 21 MR. GUADAGNINO: Frank Guadagnino, Clark 22 Hill, on behalf of General Retirement System 23 and the Police and Fire Retirement Systems. 24 MR. BHARGAVA: Michael Bhargava on 25 behalf of Assured Guaranty.</p>	<p style="text-align: right;">Page 11</p> <p>1 JOHN W. HILL 2 - - - 3 EXAMINATION 4 BY MR. SMITH: 5 Q. Good morning, Mr. Hill. 6 A. Good morning. 7 Q. As you heard, my name is Doug Smith. 8 And I was just wondering, other than your 9 deposition yesterday, have you ever been deposed 10 before? 11 A. Yes, I have. 12 Q. What occasions were those? 13 A. There were two other occasions. One was 14 for a civil case. And the other one was so long 15 ago, I don't exactly remember. 16 Q. The civil case, what was that about? 17 A. The civil case was -- it was a contract 18 dispute. They were actually suing the 19 organization that I was a part of. And so we were 20 deposed prior to the actual case. 21 Q. And what organization was that? 22 A. It -- they were actually suing the 23 Federal City Council, where I was the CEO. And 24 also there was a National Music Centre where, as a 25 result of my position at the Federal City Council,</p>
<p style="text-align: right;">Page 10</p> <p>1 JOHN W. HILL 2 MS. VUCETIC: Ana Vucetic, Chadbourne & 3 Parke. 4 MS. FEIDEN: Molly Feiden, Chadbourne & 5 Parke. 6 MR. BARNOWSKI: Dan Barnowski, Dentons, 7 for the Official Committee of Retirees. 8 MR. FRIEDMAN: Ben Friedman for the 9 City. 10 MR. MOSS: Dan Moss, Jones Day, for the 11 City. 12 MR. STEWART: Geoff Stewart, Jones Day, 13 for the City and for the witness. 14 THE VIDEOGRAPHER: Counsel on the phone? 15 MR. SMITH: On the phone, you need to 16 state your appearance. 17 MS. GOING: Kristin Going, Drinker 18 Biddle, Wilmington Trust, the contract 19 administrator. 20 MS. FUNK: Brenda Funk with Weil, 21 Gotshal for FGIC. 22 - - - 23 JOHN HILL, having first been duly sworn 24 according to law, was examined and testified as 25 follows:</p>	<p style="text-align: right;">Page 12</p> <p>1 JOHN W. HILL 2 I was the treasurer. 3 Q. And what was the contract about that was 4 the subject of this dispute? 5 A. The contract related to a building that 6 there was a lease on the building from the 7 National Music Centre. And the operations in that 8 building did not go as had been planned, and one 9 of the vendors could not be paid. So it was a 10 contract -- they were -- they were suing for 11 payment. 12 Q. Your organization had refused to pay the 13 vendors; is that fair? Or was it somebody else? 14 A. No, that's -- that's not fair. No, 15 that's not fair. 16 MR. STEWART: Just let him, then, ask 17 his next question. 18 BY MR. SMITH: 19 Q. The other case, though, you can't 20 remember what it was about? 21 A. No. It was so long ago, I really can't 22 remember. 23 Q. Okay. Was somebody suing you or not? 24 Or -- 25 A. No. It was actually -- no. I wasn't</p>

<p style="text-align: right;">Page 13</p> <p>1 JOHN W. HILL</p> <p>2 actually being sued.</p> <p>3 Q. Okay.</p> <p>4 You know that I'm going to ask you a</p> <p>5 series of questions today. Do you have that</p> <p>6 understanding?</p> <p>7 A. Yes, I have that understanding.</p> <p>8 Q. And you'll let me know if you don't</p> <p>9 understand any of my questions?</p> <p>10 A. Absolutely.</p> <p>11 Q. And you can take a break at any time.</p> <p>12 You know that; right?</p> <p>13 A. Yes, I do.</p> <p>14 Q. Okay. Could you state your current</p> <p>15 position for the record.</p> <p>16 A. I am the CFO of the City of Detroit.</p> <p>17 Q. And how long have you been in that</p> <p>18 position?</p> <p>19 A. Since the end of November.</p> <p>20 Q. Have you had any involvement in this</p> <p>21 case so far other than preparing an expert report</p> <p>22 and appearing for a deposition yesterday?</p> <p>23 A. I'm not sure what you mean by</p> <p>24 "involvement."</p> <p>25 Q. Have you been at any of the hearings in</p>	<p style="text-align: right;">Page 15</p> <p>1 JOHN W. HILL</p> <p>2 projections; is that correct?</p> <p>3 A. Yes, that's correct.</p> <p>4 Q. I take it you've never been an expert in</p> <p>5 litigation before; is that correct?</p> <p>6 A. I have not.</p> <p>7 Q. What's your understanding of what being</p> <p>8 an expert in litigation entails, if you have one?</p> <p>9 A. My understanding, you want me to define</p> <p>10 what "expert" means?</p> <p>11 Q. What do you understand your role as an</p> <p>12 expert to be in this case?</p> <p>13 A. Well, first and foremost, my role in</p> <p>14 this case is to tell the truth of the things that</p> <p>15 I know, which, of course, I will do. And I</p> <p>16 understand that there are specific aspects of this</p> <p>17 case that relate to other experiences that I've</p> <p>18 had and -- so as to bring all of my knowledge</p> <p>19 about those other experiences and the current</p> <p>20 situation in Detroit to bear to answer questions.</p> <p>21 Q. And what other experiences are those</p> <p>22 that you're relying on?</p> <p>23 A. I was the executive director of the</p> <p>24 Control Board that oversaw Washington, D.C.,</p> <p>25 during its financial crisis. And also prior to</p>
<p style="text-align: right;">Page 14</p> <p>1 JOHN W. HILL</p> <p>2 the case?</p> <p>3 A. No, I have not.</p> <p>4 Q. Have you submitted anything to the Court</p> <p>5 in the case, like an affidavit or anything like</p> <p>6 that?</p> <p>7 A. I have not.</p> <p>8 Q. Have you read -- reviewed any</p> <p>9 depositions that have been given in this case, of</p> <p>10 other people?</p> <p>11 A. No, I have not.</p> <p>12 Q. Have you had discussions with anyone to</p> <p>13 prepare your expert opinions that are in the</p> <p>14 expert report you submitted?</p> <p>15 A. With my attorneys, yes.</p> <p>16 Q. Are those the only people that you've</p> <p>17 talked to to prepare your expert opinions?</p> <p>18 A. No. They're not -- there are -- there</p> <p>19 are other people.</p> <p>20 Q. Who are the other people?</p> <p>21 A. My staff, members of my staff. And</p> <p>22 representatives from DWSD. I've had conversations</p> <p>23 with Nicolette Bateson. But other than that, no.</p> <p>24 Q. Okay. You filed an expert report where</p> <p>25 you talked about the consensus revenue</p>	<p style="text-align: right;">Page 16</p> <p>1 JOHN W. HILL</p> <p>2 that, I was GAO's chief witness before the</p> <p>3 Congress on issues related to the review of the</p> <p>4 District's financial crisis; and other financial</p> <p>5 expertise.</p> <p>6 Q. And the District of Columbia was in a</p> <p>7 financial crisis; correct?</p> <p>8 A. Yes, it was.</p> <p>9 Q. And you were one of the people that</p> <p>10 helped the District respond to the financial</p> <p>11 crisis; is that correct?</p> <p>12 A. Yes, that's correct.</p> <p>13 Q. And the GAO testimony, is that -- was</p> <p>14 that before Congress or was that someplace else?</p> <p>15 A. That was before Congress.</p> <p>16 Q. Can you explain to me what methodology</p> <p>17 you used in developing the expert opinions that</p> <p>18 are in your report. How did you go about doing</p> <p>19 it?</p> <p>20 A. It's a kind of -- it's a vague question,</p> <p>21 because each individual item in the report would</p> <p>22 have had a different series of -- so I don't</p> <p>23 really understand -- understand the question.</p> <p>24 Q. Okay. How did go about putting together</p> <p>25 your expert report, if you can tell me that.</p>

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<p style="text-align: right;">Page 17</p> <p>1 JOHN W. HILL</p> <p>2 A. I can tell you in general how I went</p> <p>3 about doing it. Is that --</p> <p>4 Q. That would be good.</p> <p>5 A. Certainly reviewing certain documents</p> <p>6 associated with the issues that were laid out in</p> <p>7 the expert report and calling upon my experiences</p> <p>8 that I've had in the past and how similar</p> <p>9 situations may have been dealt with in those</p> <p>10 experiences.</p> <p>11 Q. You know the City has other experts in</p> <p>12 this case; correct? Are you aware of that?</p> <p>13 A. I'm aware that the City has other</p> <p>14 experts.</p> <p>15 Q. Have you reviewed any of the City's</p> <p>16 other experts' reports?</p> <p>17 A. Yes, I have.</p> <p>18 Q. Whose reports have you reviewed?</p> <p>19 A. I have read the reports from E&Y and</p> <p>20 Conway, and -- those are the ones that come to</p> <p>21 mind.</p> <p>22 Q. Would it be fair to say that you're an</p> <p>23 expert in basically talking about your experience</p> <p>24 with responding to fiscal distress? Or how would</p> <p>25 you characterize your expertise?</p>	<p style="text-align: right;">Page 19</p> <p>1 JOHN W. HILL</p> <p>2 A. No, I'm not.</p> <p>3 Q. Are you holding yourself out as an</p> <p>4 expert on blight reduction?</p> <p>5 A. No, I'm not.</p> <p>6 Q. Are you holding yourself out as an</p> <p>7 expert on tax policy?</p> <p>8 A. No, I'm not.</p> <p>9 Q. Are you holding yourself out as an</p> <p>10 expert on art valuation?</p> <p>11 A. No, I'm not.</p> <p>12 Q. Are you holding yourself out as an</p> <p>13 expert on pensions?</p> <p>14 A. No.</p> <p>15 Q. Are you holding yourself out as an</p> <p>16 expert on casinos or wagering revenue?</p> <p>17 A. Not as an expert, no.</p> <p>18 Q. Are you holding yourself out as an</p> <p>19 expert on economics?</p> <p>20 A. No.</p> <p>21 Q. Are you holding yourself out as an</p> <p>22 expert on information technology?</p> <p>23 A. No.</p> <p>24 Q. Are you holding yourself out as an</p> <p>25 expert in transportation systems?</p>
<p style="text-align: right;">Page 18</p> <p>1 JOHN W. HILL</p> <p>2 MR. STEWART: Objection.</p> <p>3 THE WITNESS: Which question do you want</p> <p>4 me to answer?</p> <p>5 BY MR. SMITH:</p> <p>6 Q. How would you characterize your --</p> <p>7 you're being offered as an expert, and there are</p> <p>8 other experts in the case. And I'm trying to</p> <p>9 figure out how you fit in, you know, in the case</p> <p>10 compared to the other experts. And so what I'd</p> <p>11 like to understand is, What is your expertise that</p> <p>12 you're offering compared to other experts that</p> <p>13 might be in this case?</p> <p>14 A. I can -- I'll list the -- there are a</p> <p>15 number of items that I feel that I have expertise</p> <p>16 in. One would be certainly responding to</p> <p>17 distressed cities. Because of the experience with</p> <p>18 the District of Columbia, that was -- so I would</p> <p>19 say responding to distressed cities.</p> <p>20 Another would be the audit expertise</p> <p>21 that I have from various audits of both government</p> <p>22 and corporate entities, so financial accounting</p> <p>23 and also financial management.</p> <p>24 Q. Are you holding yourself out as an</p> <p>25 expert on health benefits?</p>	<p style="text-align: right;">Page 20</p> <p>1 JOHN W. HILL</p> <p>2 A. No.</p> <p>3 Q. Are you holding yourself out as an</p> <p>4 expert on government grants?</p> <p>5 A. I do have knowledge on government</p> <p>6 grants.</p> <p>7 Q. And do you have experience applying for</p> <p>8 grants for a city with various entities, such as</p> <p>9 the federal government?</p> <p>10 A. Yes. I have been involved in that</p> <p>11 process.</p> <p>12 Q. Are you holding yourself out as an</p> <p>13 expert on state revenue sharing?</p> <p>14 A. Not as an expert, no.</p> <p>15 Q. Have you ever done forecasting for a</p> <p>16 city?</p> <p>17 A. Yes, I have done.</p> <p>18 Q. And was that the District of Columbia?</p> <p>19 A. Yes.</p> <p>20 Q. Did you personally put together the --</p> <p>21 or you or your staff, the consensus revenue</p> <p>22 forecasts that you discuss in your report; or was</p> <p>23 that somebody else that put together those</p> <p>24 forecasts?</p> <p>25 A. That was our staff, my staff.</p>

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<p style="text-align: right;">Page 21</p> <p>1 JOHN W. HILL</p> <p>2 Q. Are you holding yourself out as an</p> <p>3 expert on restructuring?</p> <p>4 A. Can you --</p> <p>5 Q. I'll -- are you holding yourself out as</p> <p>6 an expert on Chapter 9 bankruptcy?</p> <p>7 A. No.</p> <p>8 Q. And in your work for cities, have you</p> <p>9 ever been involved with a city that was in</p> <p>10 Chapter 9 bankruptcy?</p> <p>11 A. Other than Detroit?</p> <p>12 Q. Yeah.</p> <p>13 A. No.</p> <p>14 Q. And I take it you're not a lawyer, are</p> <p>15 you?</p> <p>16 A. I'm not a lawyer.</p> <p>17 Q. You're not holding yourself out as a</p> <p>18 legal expert?</p> <p>19 A. No, I'm not.</p> <p>20 Q. Have you ever had to forecast municipal</p> <p>21 population levels before?</p> <p>22 A. No, I have not.</p> <p>23 Q. Have you ever forecast inflation rates</p> <p>24 before?</p> <p>25 A. No.</p>	<p style="text-align: right;">Page 23</p> <p>1 JOHN W. HILL</p> <p>2 A. No.</p> <p>3 Q. Do you agree that the wagering tax</p> <p>4 revenues depend on a number of factors, such as</p> <p>5 the level of gambling or the level of revenue from</p> <p>6 the casinos and the wagering tax rate?</p> <p>7 A. I know that there are a number of</p> <p>8 factors that go into forecasting wagering taxes.</p> <p>9 Q. And are there also a number of factors</p> <p>10 that determine income tax revenues?</p> <p>11 A. Yes, there are a number of factors.</p> <p>12 Q. And are there a number of factors that</p> <p>13 determine the tax revenues from all the taxes that</p> <p>14 the City of Detroit collects?</p> <p>15 A. Yes.</p> <p>16 Q. How did you come about being the CFO for</p> <p>17 Detroit?</p> <p>18 A. The previous CFO resigned abruptly. And</p> <p>19 I had known Kevyn Orr from other -- from work that</p> <p>20 I was doing in Detroit before becoming CFO. And</p> <p>21 he knew of my background with the Control Board in</p> <p>22 D.C. and asked me if I would serve as CFO for the</p> <p>23 remainder of his tenure.</p> <p>24 Q. How did you know Kevyn Orr? Or what was</p> <p>25 the work that you -- that brought you together in</p>
<p style="text-align: right;">Page 22</p> <p>1 JOHN W. HILL</p> <p>2 Q. Have you done any economic forecasting?</p> <p>3 A. Not me personally, no.</p> <p>4 Q. Have you ever forecast wage growth</p> <p>5 rates?</p> <p>6 A. No.</p> <p>7 Q. Have you ever forecast income tax rates</p> <p>8 or other tax rates?</p> <p>9 A. Forecast income tax rates?</p> <p>10 Q. Well, why don't I --</p> <p>11 A. The rates are set.</p> <p>12 Q. Okay. Why don't I ask another question.</p> <p>13 Have you ever forecast tax revenues</p> <p>14 before?</p> <p>15 A. Yes.</p> <p>16 Q. And was that at the City of -- the</p> <p>17 District of Columbia?</p> <p>18 A. Yes.</p> <p>19 Q. Do you personally do the tax forecasting</p> <p>20 for the City of Detroit?</p> <p>21 A. Personally, no.</p> <p>22 Q. Have you ever forecast wagering tax</p> <p>23 revenues?</p> <p>24 A. Outside of the City of Detroit?</p> <p>25 Q. Yeah.</p>	<p style="text-align: right;">Page 24</p> <p>1 JOHN W. HILL</p> <p>2 D.C.?</p> <p>3 A. I didn't know Kevyn Orr in D.C. I knew</p> <p>4 him -- I knew of him, but I did not know Kevyn Orr</p> <p>5 in D.C. I didn't actually meet Kevyn Orr until I</p> <p>6 came to Detroit.</p> <p>7 Q. Okay. So Kevyn Orr knew of your work in</p> <p>8 D.C., and that's how he knew to contact you for</p> <p>9 the CFO job? Is that --</p> <p>10 A. That's not accurate.</p> <p>11 Q. Maybe you can explain to me again what</p> <p>12 exactly -- how was it -- the relationship, I'm</p> <p>13 just trying to get at. It sounds like you didn't</p> <p>14 know Kevyn Orr before you met him recently --</p> <p>15 A. Yeah.</p> <p>16 Q. -- is that right?</p> <p>17 A. I did know Kevyn Orr before I came to</p> <p>18 Detroit. But I came to Detroit to do a project on</p> <p>19 Grants Management that was funded by a foundation,</p> <p>20 and that -- Kevyn Orr's office was actually</p> <p>21 involved in overseeing that contract.</p> <p>22 And so that's where I met him. But he</p> <p>23 knew of my reputation from Washington, D.C.</p> <p>24 Q. What organization was that you were</p> <p>25 working for?</p>

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2 **A. I was a subcontractor to PCG.**

3 Q. And what project were you working on for

4 the City in that role?

5 **A. Grants management; reviewing the grants**

6 **management process and coming up with**

7 **recommendations on how to improve grants**

8 **management.**

9 Q. And is it fair to say that the City's

10 grant management process was suffering from some

11 flaws when you examined it?

12 **A. The City's grants management process**

13 **has -- yes. Yes.**

14 Q. And, I mean, was one problem with the

15 City's grants management process historically that

16 they didn't utilize all the grant revenue that

17 they got, so they had to return some of it to the

18 federal government, for example?

19 **A. They have had to return grants**

20 **management dollars, yes.**

21 Q. Has the City had to return tens of

22 millions of grant funds because they didn't

23 utilize them adequately?

24 **A. You'd have to tell me over what period**

25 **of time.**

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2 Q. Over the last ten years, has the City

3 had to return tens of millions of dollars in grant

4 funds because they didn't utilize them adequately?

5 **A. That's very broad. There are different**

6 **reasons. So that's -- it's a pretty broad**

7 **question.**

8 Q. Did the City, over the last 10 years

9 have to return tens of millions of dollars in

10 grants funds for a variety of reasons?

11 **A. Yes.**

12 Q. And what were those reasons?

13 **A. There were, again, a number of reasons.**

14 **One is because there may have been charges that**

15 **were disallowed, charges to those grants that**

16 **could not be -- that were not appropriate for**

17 **those grants.**

18 **And, also, one of the other reasons,**

19 **just as an example, would be the calculations of**

20 **the underwrite cost rates associated with those**

21 **upon review may not have included all of the items**

22 **that they should -- that should have been in those**

23 **rates.**

24 Q. Did the City fail to utilize grants

25 funds in a timely manner and during the last

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2 decade?

3 **A. Yes.**

4 Q. And did that cause the City to have to

5 return millions of dollars in grants funds to the

6 federal government, for example?

7 **A. Grants expiring, yes. That was also an**

8 **issue.**

9 Q. And did the City also have -- do a poor

10 job in applying for new incremental grants?

11 **A. Can you -- I don't understand -- I don't**

12 **understand the question.**

13 Q. Did the City do a poor job historically

14 in applying for grant revenue to obtain grants?

15 **A. Could the -- I don't want to rephrase**

16 **your question to answer it. But, yes, there were**

17 **issues in applying for grants, yes.**

18 Q. And did the issues that the City had

19 historically in applying for grants cause it to

20 lose out on money that might be available to fund

21 its operations?

22 **A. You're asking me to speculate whether**

23 **the City, if they had applied, would have gotten**

24 **the grants. And I can't speculate that.**

25 Q. Is the City engaged in an ongoing effort

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2 to improve its grant application processes?

3 **A. Yes.**

4 Q. And by improving grant application

5 processes, does the City hope to increase the

6 level of funding from grants it receives?

7 **A. Yes. The City would like to increase**

8 **the level of funding for grants it receives.**

9 Q. What opportunities do you see for

10 increased funding from grants for the City going

11 forward?

12 **A. There are a number of opportunities that**

13 **are included in the Plan of Adjustment. But it's**

14 **certainly making sure that the City has the**

15 **appropriate indirect cost rates; would help to**

16 **improve the amount of money that the City is able**

17 **to keep.**

18 **And also making sure the City is aware**

19 **of all of the grants that are available. So, yes,**

20 **there are a number of -- there are opportunities**

21 **for the City to improve the amount of money that**

22 **it receives in grants.**

23 Q. Are there opportunities for new grants

24 for the City that aren't included in the Ernst &

25 Young revenue forecast currently?

<p style="text-align: right;">Page 29</p> <p>1 JOHN W. HILL</p> <p>2 A. I don't know of any.</p> <p>3 Q. I mean, what ongoing activities is the</p> <p>4 City engaged in right now to get new grants?</p> <p>5 A. There are always a number of different</p> <p>6 discussions with federal officials in order to</p> <p>7 get -- to get new grants. So it's -- it's --</p> <p>8 those discussions could lead to additional money,</p> <p>9 but I don't know that they would.</p> <p>10 Q. What are the grants that are being</p> <p>11 discussed currently that could lead to additional</p> <p>12 money? What type of grants?</p> <p>13 A. I couldn't -- I could give you a list,</p> <p>14 but just the ones that I remember offhand.</p> <p>15 Additional money to support purchases of buses is</p> <p>16 one. And also renewing existing grants would be</p> <p>17 another.</p> <p>18 Q. What about additional money for blight</p> <p>19 remediation? Is there discussion with the federal</p> <p>20 government for additional money for blight</p> <p>21 remediation?</p> <p>22 A. There have been discussions on that.</p> <p>23 Q. And what's the status of those</p> <p>24 discussions?</p> <p>25 A. They're underway.</p>	<p style="text-align: right;">Page 31</p> <p>1 JOHN W. HILL</p> <p>2 the highest level of cooperation, how would you</p> <p>3 rate the federal government's cooperation in</p> <p>4 trying to help the City deal with its fiscal</p> <p>5 problems?</p> <p>6 MR. STEWART: Objection.</p> <p>7 THE WITNESS: That's just too broad. I</p> <p>8 can't -- couldn't rate it. I couldn't rate</p> <p>9 it.</p> <p>10 BY MR. SMITH:</p> <p>11 Q. Can you rate the level of cooperation</p> <p>12 you're getting from the State in terms of helping</p> <p>13 the City to address its fiscal problems?</p> <p>14 A. In order to rate something, you have to</p> <p>15 have a high and a low and then put it between</p> <p>16 that. And I -- and I don't know the boundaries of</p> <p>17 potential cooperation.</p> <p>18 Q. The boundaries are, one, being no</p> <p>19 cooperation and ten being the highest level</p> <p>20 possible of cooperation based on your experience.</p> <p>21 A. I don't know the highest level possible</p> <p>22 of cooperation, and that's the -- that's the issue</p> <p>23 with putting it on a scale for me.</p> <p>24 Q. Is the State cooperating with the City</p> <p>25 to attempt to improve the City's fiscal condition?</p>
<p style="text-align: right;">Page 30</p> <p>1 JOHN W. HILL</p> <p>2 Q. And what dollar amounts are being</p> <p>3 discussed with the federal government for</p> <p>4 additional grant moneys for blight remediation?</p> <p>5 A. I don't know the dollar amounts.</p> <p>6 Q. Who is involved in those discussions?</p> <p>7 A. The Mayor and representatives from the</p> <p>8 Land Bank and others.</p> <p>9 Q. And will the grants go to the Land Bank</p> <p>10 or would they go to the City?</p> <p>11 A. I don't know. You have to -- they'd</p> <p>12 have to identify the specific grants. I don't</p> <p>13 know.</p> <p>14 Q. Would it be fair to say that the federal</p> <p>15 government is eager to cooperate with the City, to</p> <p>16 provide it revenues to try to improve the City's</p> <p>17 conditions?</p> <p>18 A. Fair -- you're asking me -- fair to say?</p> <p>19 Q. Well, why don't I re-ask my question.</p> <p>20 How would you characterize the level of</p> <p>21 cooperation you're getting from the federal</p> <p>22 government to try to improve the City's fiscal</p> <p>23 situation?</p> <p>24 A. There have been a lot of discussions.</p> <p>25 Q. On a scale from 1 to 10, with 10 being</p>	<p style="text-align: right;">Page 32</p> <p>1 JOHN W. HILL</p> <p>2 A. The State is cooperating.</p> <p>3 Q. Is the federal government cooperating</p> <p>4 with the City in order to improve the City's</p> <p>5 fiscal condition?</p> <p>6 A. The federal government is cooperating.</p> <p>7 Q. Has the State ever blocked any activity</p> <p>8 the City wanted to undertake to increase revenues</p> <p>9 or decrease costs?</p> <p>10 A. I wouldn't be in a position to know.</p> <p>11 Q. I mean, but sitting here today, can you</p> <p>12 identify any instance where the State has blocked</p> <p>13 the City from either increasing revenues or</p> <p>14 decreasing costs?</p> <p>15 A. Statutorily, yes.</p> <p>16 Q. What -- how -- what do you have in mind?</p> <p>17 A. Well, there are statutory limits that</p> <p>18 are set on taxes. There are statutory limits that</p> <p>19 are set on the ability to raise taxes. So if</p> <p>20 that's viewed as a way of blocking additional</p> <p>21 revenue, then -- that's something that the State</p> <p>22 has imposed.</p> <p>23 Q. Is the State -- is the City -- has the</p> <p>24 City tried to lobby the State to remove statutory</p> <p>25 limits on taxes?</p>

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<p style="text-align: right;">Page 33</p> <p>1 JOHN W. HILL</p> <p>2 A. I don't know all of the lobbying efforts</p> <p>3 that have occurred. So to my knowledge, I don't</p> <p>4 know. I really don't know.</p> <p>5 Q. Okay. So as the CFO for the City, you</p> <p>6 haven't lobbied the State to change tax levels;</p> <p>7 correct?</p> <p>8 A. I have not.</p> <p>9 Q. And is the State attempting to cooperate</p> <p>10 with the City in order to increase its revenues</p> <p>11 and reduce its costs?</p> <p>12 A. It's very broad. The State is</p> <p>13 cooperating with the City on its financial crisis,</p> <p>14 yes.</p> <p>15 Q. And are there private organizations that</p> <p>16 are cooperating with the City to try to help it</p> <p>17 improve its fiscal situation?</p> <p>18 A. Yes.</p> <p>19 Q. What private organizations are those?</p> <p>20 A. Several foundations are trying to help,</p> <p>21 also other corporations as well.</p> <p>22 Q. And what entities are those that are</p> <p>23 cooperating?</p> <p>24 A. Ford Foundation, Skillman Foundation,</p> <p>25 Kresge Foundation, those are -- Community</p>	<p style="text-align: right;">Page 35</p> <p>1 JOHN W. HILL</p> <p>2 funds associated with that except for the people</p> <p>3 who were City employees who worked on that</p> <p>4 project.</p> <p>5 I know that there have been a number of</p> <p>6 solicitations for -- well, there's money that</p> <p>7 has -- that's for attracting and hiring talent in</p> <p>8 certain areas as well.</p> <p>9 Q. What kind of efforts are those, if you</p> <p>10 could be more specific?</p> <p>11 A. That there was -- there was funding that</p> <p>12 was provided to support IT directors from across</p> <p>13 the country to come in and look at the IT</p> <p>14 infrastructure issues with the City and to make</p> <p>15 recommendations.</p> <p>16 So that's the way that really comes to</p> <p>17 mind.</p> <p>18 Q. Are there potential private donations</p> <p>19 that you're aware of that the City is in</p> <p>20 discussions with private entities about right now?</p> <p>21 A. I know of -- I know of one specifically</p> <p>22 on the continuation of the grants management</p> <p>23 project. But I don't know specifically of the</p> <p>24 others.</p> <p>25 Q. Who's funding the grants management</p>
<p style="text-align: right;">Page 34</p> <p>1 JOHN W. HILL</p> <p>2 Foundation, those are ones that I'm directly aware</p> <p>3 of with respect to grants management work --</p> <p>4 Q. And how about the corporations? What</p> <p>5 corporations are cooperating with the City to</p> <p>6 improve its financial situation?</p> <p>7 A. There's a long list of corporations that</p> <p>8 have been involved with lien processing</p> <p>9 improvements. I would add them. I would add, you</p> <p>10 know, E&Y to the list. I would add Conway</p> <p>11 MacKenzie to the list. I would add, you know,</p> <p>12 Rock Ventures to the list, Quicken Loans, a number</p> <p>13 of different corporations.</p> <p>14 Q. And is the City actively seeking</p> <p>15 additional funds from private entities to help</p> <p>16 address its fiscal situation?</p> <p>17 A. It's -- it's -- that's very broad. The</p> <p>18 City has sought additional funding for specific</p> <p>19 projects.</p> <p>20 Q. And could you tell me what funding the</p> <p>21 City is seeking for specific projects from private</p> <p>22 entities?</p> <p>23 A. One I know of, the grants management</p> <p>24 process and the grants management review was</p> <p>25 funded by private dollars. There weren't any City</p>	<p style="text-align: right;">Page 36</p> <p>1 JOHN W. HILL</p> <p>2 project?</p> <p>3 A. The initial project was funded by the</p> <p>4 Ford Foundation, and then the implementation is</p> <p>5 being funded by a consortium of foundations</p> <p>6 through the Community Foundation.</p> <p>7 Q. Do you know whether there are</p> <p>8 discussions with the State for additional funds</p> <p>9 that are ongoing now?</p> <p>10 MR. STEWART: For grants management?</p> <p>11 MR. SMITH: No, for anything.</p> <p>12 THE WITNESS: There are always</p> <p>13 discussions with the State on additional</p> <p>14 funding. That's the nature of a relationship</p> <p>15 between a city and its state. There's always</p> <p>16 discussions.</p> <p>17 BY MR. SMITH:</p> <p>18 Q. Okay. And would it be fair to say that</p> <p>19 the emergency manager -- the emergency manager was</p> <p>20 appointed by the State; correct?</p> <p>21 A. Was appointed by the Governor.</p> <p>22 Q. Okay. And it's fair to say that the</p> <p>23 emergency manager is an agent of the State?</p> <p>24 MR. STEWART: Objection.</p> <p>25 THE WITNESS: You'd have to define</p>

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<p style="text-align: right;">Page 37</p> <p>1 JOHN W. HILL</p> <p>2 "agent" for me. But he was appointed by the</p> <p>3 Governor.</p> <p>4 BY MR. SMITH:</p> <p>5 Q. Does the emergency manager report to the</p> <p>6 State on an ongoing basis?</p> <p>7 A. Yes.</p> <p>8 Q. And do you report to the emergency</p> <p>9 manager?</p> <p>10 A. I have a dual reporting.</p> <p>11 Q. And do you report to the emergency</p> <p>12 manager and the Mayor?</p> <p>13 A. Yes.</p> <p>14 Q. And who do you -- who do you interact</p> <p>15 with more frequently, the emergency manager or the</p> <p>16 Mayor?</p> <p>17 A. You mean directly, person to person?</p> <p>18 Q. Yes.</p> <p>19 A. The Mayor now. Early on, it was the</p> <p>20 emergency manager.</p> <p>21 Q. And why has that changed?</p> <p>22 A. For a number of reasons. One, the -- I</p> <p>23 am seen as a member of the Mayor's cabinet, so</p> <p>24 every cabinet meeting every Wednesday I'm in the</p> <p>25 Mayor's office. I have -- I have one, one meeting</p>	<p style="text-align: right;">Page 39</p> <p>1 JOHN W. HILL</p> <p>2 still -- there's still ongoing issues with the</p> <p>3 City's collection of financial data; is that</p> <p>4 correct?</p> <p>5 A. Yes. There's still ongoing issues with</p> <p>6 the City's financial condition.</p> <p>7 Q. And what are the ongoing problems with</p> <p>8 the City's financial data?</p> <p>9 MR. STEWART: Financial data?</p> <p>10 THE WITNESS: Data?</p> <p>11 MR. SMITH: Yes.</p> <p>12 MR. STEWART: Okay. Go ahead.</p> <p>13 THE WITNESS: That's -- that's pretty</p> <p>14 broad. There are different issues with</p> <p>15 different types of data.</p> <p>16 BY MR. SMITH:</p> <p>17 Q. Maybe you can list for me the -- some of</p> <p>18 the ongoing problems with the City's financial</p> <p>19 data.</p> <p>20 A. You know, one of the chief issues is the</p> <p>21 City not being able to have the discipline to be</p> <p>22 able to close its books on a regular basis.</p> <p>23 That's an issue, because at points there are</p> <p>24 entries that may not be booked before other</p> <p>25 activity occurs.</p>
<p style="text-align: right;">Page 38</p> <p>1 JOHN W. HILL</p> <p>2 a week, staff meeting with Kevyn Orr, and then</p> <p>3 email conversations.</p> <p>4 It's -- we're moving into implementation</p> <p>5 of the Plan of Adjustment, and so there are</p> <p>6 operational considerations that I need to have</p> <p>7 discussions with the Mayor about.</p> <p>8 Q. Were you appointed to the CFO position</p> <p>9 in November 2013?</p> <p>10 A. Yes.</p> <p>11 Q. What were you told about what you were</p> <p>12 supposed to be doing when you came into that</p> <p>13 position?</p> <p>14 A. There were a number of different charges</p> <p>15 that were given to me. One was to restructure the</p> <p>16 financial operations; two, implement a financial</p> <p>17 management system was high on the list; make sure</p> <p>18 that the grants management process was</p> <p>19 implemented. And there were a number of other</p> <p>20 items that I was told.</p> <p>21 Q. Would it be fair to say that when you</p> <p>22 arrived, the City's financial operations had been</p> <p>23 in poor shape?</p> <p>24 A. There were issues.</p> <p>25 Q. And what were the -- I mean, are there</p>	<p style="text-align: right;">Page 40</p> <p>1 JOHN W. HILL</p> <p>2 So the City is operating on a financial</p> <p>3 management system that's very old and needs to be</p> <p>4 replaced. And the processes that the City -- the</p> <p>5 financial management processes leading up to the</p> <p>6 input into that system are also very old and need</p> <p>7 to be replaced. It's very paper driven right now,</p> <p>8 which takes a lot more time than some of the new</p> <p>9 systems that are out there that could help</p> <p>10 alleviate those issues.</p> <p>11 Q. And have problems with the City's</p> <p>12 financial data caused the City to delay its CAFR?</p> <p>13 A. No. I don't think that's -- that's not</p> <p>14 the main reason for the delay of the CAFR.</p> <p>15 Q. What's the reason for the delay of the</p> <p>16 CAFR?</p> <p>17 A. The bankruptcy and the continuing</p> <p>18 subsequent events that are associated with the</p> <p>19 bankruptcy.</p> <p>20 Q. When do you think -- is there a date by</p> <p>21 which the CAFR is supposed to be filed now, or is</p> <p>22 there no date for that?</p> <p>23 A. We expect that it should be filed within</p> <p>24 the next couple of weeks.</p> <p>25 Q. Is there -- has there been a delay in</p>

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<p style="text-align: right;">Page 41</p> <p>1 JOHN W. HILL</p> <p>2 KPMG's ability to audit the City's financial data?</p> <p>3 A. A delay in their ability?</p> <p>4 Q. Yeah. Does KPMG do routine audits of</p> <p>5 the City's data?</p> <p>6 A. KPMG audits the financial statements.</p> <p>7 Q. Okay. Has there been a delay in KPMG's</p> <p>8 audit of the financial statements?</p> <p>9 A. I don't understand "a delay in the audit</p> <p>10 of the financial statements."</p> <p>11 Q. Does the audit occur at a certain point</p> <p>12 in time every year or not?</p> <p>13 A. The audit is ongoing, so there hasn't</p> <p>14 been a delay in the audit of the financial</p> <p>15 statements.</p> <p>16 Q. Has there been a delay in -- does KPMG</p> <p>17 issue regular reports?</p> <p>18 A. Status -- it issues -- there are status</p> <p>19 discussions, but they don't issue regular reports.</p> <p>20 Q. Okay. Has the KPMG had any problems in</p> <p>21 being able to audit the City's financial</p> <p>22 statements?</p> <p>23 A. The financial statements for 2013 will</p> <p>24 be audited; and yes, there are issues associated</p> <p>25 with auditing the financial statements.</p>	<p style="text-align: right;">Page 43</p> <p>1 JOHN W. HILL</p> <p>2 completed; but there are a number of issues</p> <p>3 associated with the audits.</p> <p>4 Q. Do you know when the audit will be</p> <p>5 completed for the 2013 statements?</p> <p>6 A. Yeah. I said in a couple weeks. You'd</p> <p>7 asked me that before.</p> <p>8 Q. And would it -- and so the City</p> <p>9 continues to have poor internal controls; correct?</p> <p>10 MR. STEWART: Objection.</p> <p>11 THE WITNESS: You'd have to be specific.</p> <p>12 There are internal control issues within the</p> <p>13 City.</p> <p>14 BY MR. SMITH:</p> <p>15 Q. Okay. And the City continues to have</p> <p>16 problems with its internal controls; correct?</p> <p>17 A. Certain internal controls, yes.</p> <p>18 Q. And which ones come to mind?</p> <p>19 A. There are so many internal controls over</p> <p>20 various transactions. The controls over</p> <p>21 procurements are pretty strong. But the controls</p> <p>22 over recording some transactions and</p> <p>23 reconciliations are an issue. So that's just an</p> <p>24 example. But they're well-documented in audit</p> <p>25 reports and in single audit reports.</p>
<p style="text-align: right;">Page 42</p> <p>1 JOHN W. HILL</p> <p>2 Q. And what are the problems that arise</p> <p>3 with respect to issuing -- auditing the financial</p> <p>4 statements?</p> <p>5 A. The reason that I'm pausing is I could</p> <p>6 go through what the audit process is and the</p> <p>7 issues associated with that. I'll give you a list</p> <p>8 of some of the issues that occur. Okay?</p> <p>9 There are issues in finding</p> <p>10 documentation. There are issues associated with</p> <p>11 the internal controls over financial transactions,</p> <p>12 which has been documented in the financial audits</p> <p>13 as well as in the single audits.</p> <p>14 There are -- because so much is paper</p> <p>15 related, as I mentioned before, there are issues</p> <p>16 with respect to, again, being able to locate that</p> <p>17 paper that supports the transactions.</p> <p>18 So -- so there are just a number of</p> <p>19 issues during the audit.</p> <p>20 But the 2012 financial statements were</p> <p>21 audited. The 2013 financial statements are being</p> <p>22 audited, and the audit will be completed. And</p> <p>23 2014 statements will also be audited, which will</p> <p>24 start right away.</p> <p>25 So the audits occur, and the audits are</p>	<p style="text-align: right;">Page 44</p> <p>1 JOHN W. HILL</p> <p>2 Q. The audit reports show the -- the audit</p> <p>3 reports show that Detroit continues to have</p> <p>4 problems with internal controls in a number of</p> <p>5 areas; correct?</p> <p>6 A. The audit report shows that for the</p> <p>7 period of time of the audit there were control</p> <p>8 issues. It doesn't speak to what's happening</p> <p>9 within the City right now.</p> <p>10 Q. Okay. In the City right now, there</p> <p>11 continue to be problems with internal controls in</p> <p>12 numerous areas; correct?</p> <p>13 A. We are working on internal control</p> <p>14 issues right now, yes.</p> <p>15 Q. And so those problems continue to exist;</p> <p>16 correct?</p> <p>17 A. You'd have to tell me which internal</p> <p>18 control problems. Some do, some have been</p> <p>19 corrected.</p> <p>20 Q. Okay. While Detroit has corrected some</p> <p>21 problems with internal controls, there are</p> <p>22 problems with internal controls that continue to</p> <p>23 exist in numerous areas; correct?</p> <p>24 A. There are problems with internal</p> <p>25 controls.</p>

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1 **JOHN W. HILL**

2 Q. Do you have any projection of when

3 Detroit may be able to remedy the problems with

4 its internal controls?

5 **A. That's really broad. We are working on**

6 **internal control issues. A number of those issues**

7 **will be alleviated as a result of the work that's**

8 **being done on a new financial management system**

9 **and a new ERP solution.**

10 **So -- and that is slated -- well, we've**

11 **already started the work on that, and it's slated**

12 **to be completed within the next two years.**

13 Q. So it's going to take two years to

14 complete the City's new financial management

15 system; is that correct?

16 **A. At least, yes.**

17 Q. And who's working on that project?

18 **A. My entire team is working on that**

19 **project as well as the CIO and many of the people**

20 **on her team.**

21 Q. Are there outside vendors that are

22 working on that project?

23 **A. Yes.**

24 Q. Who are those?

25 **A. One is Ernst & Young is helping us**

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1 **JOHN W. HILL**

2 **with -- with reviewing a piece of the financial**

3 **management system. And they're the -- they're**

4 **the -- other vendors are coming in to provide us**

5 **detailed briefings on what their financial**

6 **management systems will do. And also working**

7 **through MMSA is also a -- the Michigan Municipal**

8 **Services Authority is also another organization**

9 **that's involved in helping us.**

10 Q. As the CFO, do you actively look for new

11 ways to increase revenues and decrease costs for

12 the City?

13 **A. Yes, I have.**

14 Q. Are you involved in ongoing efforts to

15 look for new ways to increase revenues and

16 decrease costs for the City?

17 **A. Yes. That's what's embedded in the Plan**

18 **of Adjustment, and I'm involved in implementing**

19 **the Plan of Adjustment.**

20 Q. Are there projects outside of the Plan

21 of Adjustment, though, that you're involved with

22 to increase revenues or decrease costs?

23 **A. No.**

24 Q. Is it possible that the Plan of

25 Adjustment will change to incorporate new or

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1 **JOHN W. HILL**

2 different actions to increase revenues or decrease

3 costs?

4 **A. You're asking me to speculate.**

5 Q. Well, based on what you know, is it

6 possible -- is the City planning to make any

7 changes in the Plan of Adjustment that might

8 increase revenues or decrease costs, as far as

9 you're aware?

10 **A. As far as I'm aware, there are no**

11 **changes that are projected as part of the Plan of**

12 **Adjustment, as far as I'm aware right now.**

13 Q. Was there an active debate within the

14 City about what initiatives to include regarding

15 revenues and costs in the Plan of Adjustment?

16 **A. There were discussions. Whether it was**

17 **a debate, I wouldn't say debate. I'd say there**

18 **were discussions.**

19 Q. Were there actions or initiatives to

20 increase revenues or decrease costs that did

21 not -- that were discussed that did not make it

22 into the Plan of Adjustment?

23 **A. Yes. Yes, there were some.**

24 Q. What were some of those initiatives?

25 **A. There were some outsourcing initiatives.**

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1 **JOHN W. HILL**

2 **I think there -- that did not make it into the**

3 **plan. And I mean, that's one of the ones that I**

4 **could think of right now.**

5 Q. And what outsourcing initiatives?

6 **A. I can't remember the details, but -- but**

7 **yeah, I can't remember the details.**

8 Q. Well, can you tell me, in general, what

9 those outsourcing initiatives were?

10 **A. Not -- I remember that there were**

11 **outsourcing initiatives. I don't remember the**

12 **specifics of those outsourcing initiatives.**

13 Q. Okay. Were there other initiatives in

14 addition to outsourcing initiatives that would

15 have increased revenue or decreased costs that did

16 not make it into the Plan of Adjustment?

17 **A. There were other opportunities, and**

18 **there were also other risks associated with the**

19 **items that were in the plan as well, so it is a**

20 **balance of items.**

21 Q. What other opportunities were there for

22 increasing revenues or decreasing costs that

23 didn't make it into the Plan of Adjustment?

24 **A. None of them come to mind right now, but**

25 **I just know there were other opportunities.**

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<p style="text-align: right;">Page 49</p> <p>1 JOHN W. HILL</p> <p>2 Q. Were further wage reductions for City</p> <p>3 employees considered that didn't make it into the</p> <p>4 Plan of Adjustment?</p> <p>5 A. I don't remember seeing further wage</p> <p>6 reductions as a part of the plan.</p> <p>7 Q. Has the City of Detroit successfully</p> <p>8 improved its operations under the emergency</p> <p>9 manager?</p> <p>10 A. I think that there is improvement that's</p> <p>11 occurring with its operations under the emergency</p> <p>12 manager.</p> <p>13 Q. Has the City of Detroit successfully</p> <p>14 improved its ability to increase revenues under</p> <p>15 the emergency manager?</p> <p>16 A. Again, that's -- that's -- that's very</p> <p>17 broad. I'm just trying to think of specific</p> <p>18 revenue, you know, that would have been improved</p> <p>19 under the emergency manager. And certainly, the</p> <p>20 work that's being done around grants management</p> <p>21 right now, which is a project of the emergency</p> <p>22 manager, is expected to have an impact on revenues</p> <p>23 in the future.</p> <p>24 So I would say yes, there are activities</p> <p>25 that are occurring under the office of the</p>	<p style="text-align: right;">Page 51</p> <p>1 JOHN W. HILL</p> <p>2 or decreasing cost?</p> <p>3 A. None come to mind that are outside of</p> <p>4 the plan.</p> <p>5 Q. Have you been involved with discussions</p> <p>6 about privatizing parking?</p> <p>7 A. I've been involved in -- I've been</p> <p>8 involved in discussions about parking, yes.</p> <p>9 Q. And does that include privatizing the</p> <p>10 parking or --</p> <p>11 A. There's a range of -- there's a range of</p> <p>12 different discussions around what could happen</p> <p>13 with parking.</p> <p>14 Q. What discussions has the City had about</p> <p>15 changing parking to increase revenues or decrease</p> <p>16 costs?</p> <p>17 A. Certainly increasing the parking rates,</p> <p>18 which has occurred; also, outsourcing the</p> <p>19 management of parking, and there -- and selling or</p> <p>20 disposing of the parking asset. So those have</p> <p>21 been discussed.</p> <p>22 Q. And what are the dollar figures that</p> <p>23 have been discussed in terms of potential future</p> <p>24 revenues from those activities?</p> <p>25 A. I don't know offhand.</p>
<p style="text-align: right;">Page 50</p> <p>1 JOHN W. HILL</p> <p>2 emergency manager that would have the impact of</p> <p>3 improving revenues.</p> <p>4 Q. And are there activities under the</p> <p>5 emergency manager that will have an impact of</p> <p>6 further reducing costs in the future?</p> <p>7 A. Yes.</p> <p>8 Q. What are some of those activities that</p> <p>9 come to mind?</p> <p>10 A. The implementation of the new financial</p> <p>11 management system would have an impact on reducing</p> <p>12 costs.</p> <p>13 The outsourcing that has been done</p> <p>14 already that was done under the emergency manager</p> <p>15 would have and has reduced costs related to a</p> <p>16 waste pickup and trash collection.</p> <p>17 The work that is being done with grants</p> <p>18 management would help to reduce costs and allow</p> <p>19 the City to keep more of its grant dollars.</p> <p>20 So those are just ones that come to</p> <p>21 mind.</p> <p>22 Q. Are there outsourcing or privatization</p> <p>23 initiatives you're aware of that the City hasn't</p> <p>24 implemented yet but is considering for the future</p> <p>25 that will have the effect of increasing revenues</p>	<p style="text-align: right;">Page 52</p> <p>1 JOHN W. HILL</p> <p>2 Q. Who has been involved with those</p> <p>3 discussions primarily?</p> <p>4 A. Gary Brown, chief operating officer, the</p> <p>5 emergency manager's team, and advisers to the</p> <p>6 emergency manager's team.</p> <p>7 Q. What advisers?</p> <p>8 A. Ernst & Young. Who else? Miller</p> <p>9 Buckfire has been involved.</p> <p>10 Q. Okay. What about privatizing or leasing</p> <p>11 the water and sewage functions? Have you been</p> <p>12 party to those discussions?</p> <p>13 A. I've been in meetings where those</p> <p>14 discussions occurred.</p> <p>15 Q. And are those discussions still ongoing?</p> <p>16 A. To my knowledge they are.</p> <p>17 Q. And do you have an idea about what the</p> <p>18 additional revenues that have been discussed for</p> <p>19 the City from leasing or privatizing the water</p> <p>20 system have been?</p> <p>21 MR. STEWART: You can answer the</p> <p>22 question. But you're not allowed, because of</p> <p>23 the Judge's order, to disclose anything that</p> <p>24 has -- comes up in mediations. Okay? But</p> <p>25 outside of that, you can answer it.</p>

<p style="text-align: right;">Page 53</p> <p>1 JOHN W. HILL</p> <p>2 THE WITNESS: I know that there have</p> <p>3 been discussions about a lease payment that</p> <p>4 would come to the City as a result of kind of</p> <p>5 various ways of structuring the relationship</p> <p>6 with the water and sewer. That's the one I'm</p> <p>7 aware of.</p> <p>8 BY MR. SMITH:</p> <p>9 Q. Is that in the amount of \$47 million or</p> <p>10 more each year?</p> <p>11 A. It's about 45 million, yeah.</p> <p>12 Q. Have there been discussions about</p> <p>13 privatizing the water and sewage department</p> <p>14 instead of leasing it?</p> <p>15 A. There have been discussions, yes.</p> <p>16 Q. And what have those discussions been?</p> <p>17 MR. STEWART: And the same limitation I</p> <p>18 mentioned to you before. Answer the</p> <p>19 question, but you can't disclose anything</p> <p>20 that came up in mediation.</p> <p>21 THE WITNESS: Yeah. I just know that</p> <p>22 that was considered as one of the options</p> <p>23 that was being explored.</p> <p>24 BY MR. SMITH:</p> <p>25 Q. And are there ongoing discussions about</p>	<p style="text-align: right;">Page 55</p> <p>1 JOHN W. HILL</p> <p>2 to reduce revenue and increase costs. And that's</p> <p>3 a -- there are a lot of issues there.</p> <p>4 MR. STEWART: If I may say so, I think</p> <p>5 you testified reduce revenue and increase</p> <p>6 costs. Is that what you meant to say?</p> <p>7 THE WITNESS: Did you say "reduce</p> <p>8 revenue"?</p> <p>9 BY MR. SMITH:</p> <p>10 Q. Increase revenue.</p> <p>11 (Simultaneous cross-talk.)</p> <p>12 MR. STEWART: I think you two got your</p> <p>13 wires crossed. You might want to make sure</p> <p>14 that --</p> <p>15 BY MR. SMITH:</p> <p>16 Q. Yeah. Why don't I re-ask the question.</p> <p>17 Would it be fair to say that there are a</p> <p>18 number of people at the City that are going to be</p> <p>19 actively involved in continuing to look for new</p> <p>20 opportunities to increase revenues or decrease</p> <p>21 costs after the bankruptcy case is over?</p> <p>22 A. Again, that's what cities do. And, yes,</p> <p>23 Detroit would do that as well.</p> <p>24 BY MR. SMITH:</p> <p>25 Q. Okay. Does the State of Michigan</p>
<p style="text-align: right;">Page 54</p> <p>1 JOHN W. HILL</p> <p>2 that as a potential option?</p> <p>3 A. At this point I don't know if there are.</p> <p>4 I have not been involved in any.</p> <p>5 Q. Who is primarily involved in the</p> <p>6 discussions regarding leasing or privatizing water</p> <p>7 and sewage service?</p> <p>8 A. It would -- to my knowledge, it would be</p> <p>9 Kevyn Orr and members of his immediate team; and</p> <p>10 Miller Buckfire; E&Y from a projection standpoint,</p> <p>11 but --</p> <p>12 Q. Well, will the City of Detroit continue</p> <p>13 to actively look for new ways to increase revenues</p> <p>14 and decrease costs after the bankruptcy case is</p> <p>15 over?</p> <p>16 A. Every city should do that.</p> <p>17 Q. And it's Detroit's plan to keep doing</p> <p>18 that?</p> <p>19 A. Every city should do that. And, yes.</p> <p>20 Q. Yes. And is that one of your functions,</p> <p>21 to keep looking for new ways to increase revenues</p> <p>22 and decrease costs?</p> <p>23 A. The major function that I would have</p> <p>24 would be implementing -- helping to implement the</p> <p>25 items in the Plan of Adjustment that are intended</p>	<p style="text-align: right;">Page 56</p> <p>1 JOHN W. HILL</p> <p>2 continue to encourage Detroit to actively look for</p> <p>3 ways to increase revenues and decrease costs?</p> <p>4 A. I don't know what that would -- what</p> <p>5 form that would take, so -- I don't know.</p> <p>6 Q. Have you permanently moved to the City</p> <p>7 of Detroit?</p> <p>8 A. No.</p> <p>9 Q. Where are you currently residing as your</p> <p>10 primary residence?</p> <p>11 A. Washington, D.C.</p> <p>12 Q. Do you have a consulting practice</p> <p>13 outside of your work for the City?</p> <p>14 A. I have a few activities that I'm</p> <p>15 involved with outside of my work for the City.</p> <p>16 Q. Are those activities that generate</p> <p>17 revenue or income for yourself?</p> <p>18 A. Yes.</p> <p>19 Q. What activities are those?</p> <p>20 A. I'm on two corporate boards. I chair</p> <p>21 the audit committee for one of those corporate</p> <p>22 boards. And I am the chair of the compensation</p> <p>23 committee and also the audit committee for another</p> <p>24 corporate board. And those are paid positions.</p> <p>25 Q. Are there activities, like consulting</p>

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<p style="text-align: right;">Page 57</p> <p>1 JOHN W. HILL</p> <p>2 activities, that you do outside of the City in</p> <p>3 your board work?</p> <p>4 A. No.</p> <p>5 Q. Did you have a consulting practice</p> <p>6 before you started working for the City?</p> <p>7 A. Yes, that's how I started working for</p> <p>8 the City, is a small consulting practice.</p> <p>9 Q. Do you have any plans to move</p> <p>10 permanently to the City of Detroit?</p> <p>11 A. Permanently? I have -- I have --</p> <p>12 permanently, no.</p> <p>13 Q. I mean, how many days a week do you</p> <p>14 spend in the City of Detroit?</p> <p>15 A. It varies. I'm here usually five days a</p> <p>16 week, coming in on Monday, leaving on Friday.</p> <p>17 MR. STEWART: If I may, when you say</p> <p>18 "here," I think he asked you about Detroit.</p> <p>19 THE WITNESS: "Here" -- Detroit. In</p> <p>20 Detroit, I'm usually there Monday through</p> <p>21 Friday.</p> <p>22 MR. STEWART: For the record, "here" --</p> <p>23 THE WITNESS: Is Washington, D.C.</p> <p>24 MR. STEWART: -- Jones Day is in</p> <p>25 Washington, D.C.</p>	<p style="text-align: right;">Page 59</p> <p>1 JOHN W. HILL</p> <p>2 Young and Conway MacKenzie. What does that</p> <p>3 entail?</p> <p>4 A. A number of different activities. I</p> <p>5 work with them on the Plan of Adjustment</p> <p>6 implementation, and -- and just a number of</p> <p>7 different activities. So you'd have to be</p> <p>8 specific about the activities.</p> <p>9 Q. Are they all related to the bankruptcy</p> <p>10 and the Plan of Adjustment? Or are there other</p> <p>11 activities?</p> <p>12 A. Everything is related to the bankruptcy</p> <p>13 and the Plan of Adjustment at this point.</p> <p>14 Q. It says that you manage and control all</p> <p>15 financial and budgetary aspects of the City. What</p> <p>16 does that entail?</p> <p>17 A. That entails the creation of the budget,</p> <p>18 monitoring the execution of the budget, providing</p> <p>19 reports on where the City stands with respect to</p> <p>20 the budget. It includes the -- working with the</p> <p>21 auditors on the financial audit. It includes</p> <p>22 having responsibility for improving the financial</p> <p>23 management system and a number of other items.</p> <p>24 Q. Your report says you're in the process</p> <p>25 of establishing the office of the chief financial</p>
<p style="text-align: right;">Page 58</p> <p>1 JOHN W. HILL</p> <p>2 BY MR. SMITH:</p> <p>3 Q. And does your family stay in Washington,</p> <p>4 D.C., or --</p> <p>5 A. No. I have family members, but I live</p> <p>6 by myself.</p> <p>7 Q. Okay. Your expert report notes that you</p> <p>8 oversee -- and why don't I just mark that as</p> <p>9 Exhibit 1 so you've got a copy of it. Here you</p> <p>10 go.</p> <p>11 (Exhibit Hill-1 was marked for</p> <p>12 identification.)</p> <p>13 BY MR. SMITH:</p> <p>14 Q. Your expert report on Page 1 notes that</p> <p>15 you oversee a staff of 250. What do those people</p> <p>16 do?</p> <p>17 A. A number of different functions. Those</p> <p>18 would be people who are in procurement activities</p> <p>19 for the City, central procurement office. Those</p> <p>20 would be budget and budget analysts. They would</p> <p>21 also be people in the Treasury Department who</p> <p>22 oversee the funds. They would be in the finance</p> <p>23 department, which would have responsibility for</p> <p>24 financial reporting.</p> <p>25 Q. And it says you coordinate with Ernst &</p>	<p style="text-align: right;">Page 60</p> <p>1 JOHN W. HILL</p> <p>2 officer; is that correct?</p> <p>3 A. Yes. My -- the position of CFO didn't</p> <p>4 exist before.</p> <p>5 Q. The position of CFO didn't exist before</p> <p>6 you were appointed in November of 2013?</p> <p>7 A. No; it existed before then. But it</p> <p>8 didn't exist before the City was in financial</p> <p>9 trouble. There's not a -- there was not --</p> <p>10 there's not a CFO position in the City's charter.</p> <p>11 Q. Okay. When did the -- when was the CFO</p> <p>12 position created?</p> <p>13 A. It was created as part of the stability</p> <p>14 agreement, and I forget the actual date that that</p> <p>15 occurred.</p> <p>16 Q. The financial stability agreement with</p> <p>17 the State of Michigan?</p> <p>18 A. Yes.</p> <p>19 Q. And why was the office of chief</p> <p>20 financial officer created?</p> <p>21 A. As stated in the document, it's to</p> <p>22 provide a better coordination of the finance</p> <p>23 functions and to improve financial management</p> <p>24 practices within the City.</p> <p>25 Q. And is the financial stability agreement</p>

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<p style="text-align: right;">Page 61</p> <p>1 JOHN W. HILL</p> <p>2 still in effect and binding on the City and the</p> <p>3 State?</p> <p>4 A. I'm not a lawyer. I know that there</p> <p>5 have been changes to it. But I'm not a lawyer, so</p> <p>6 I couldn't answer that.</p> <p>7 Q. When were there changes to the financial</p> <p>8 stability agreement?</p> <p>9 A. I don't know the exact date. But I know</p> <p>10 that there are -- when Kevyn Orr came in, which</p> <p>11 was after the financial stability agreement, there</p> <p>12 were changes that occurred. So -- but I don't --</p> <p>13 I don't know.</p> <p>14 Q. Have there been changes to the financial</p> <p>15 stability agreement since you became CFO?</p> <p>16 A. No.</p> <p>17 Q. What activities are being undertaken</p> <p>18 pursuant to the financial stability agreement?</p> <p>19 A. The implementation of a new financial</p> <p>20 management system is one of those activities.</p> <p>21 There were specific activities that the EY was</p> <p>22 charged to do, one of which was creation of or</p> <p>23 review of grants management and the creation of</p> <p>24 a -- of a -- not -- the review of grants</p> <p>25 management and coming up with a solution to the</p>	<p style="text-align: right;">Page 63</p> <p>1 JOHN W. HILL</p> <p>2 initiatives in the restructuring outweigh the</p> <p>3 cost?</p> <p>4 A. You have to consider the time periods</p> <p>5 associated with that. But it is important that</p> <p>6 all of the activities will improve the financial</p> <p>7 situation within the City.</p> <p>8 Q. Is the City planning to continuously</p> <p>9 reevaluate the initiatives in the restructuring</p> <p>10 and reinvestment after the bankruptcy is over to</p> <p>11 ensure that they have a good cost-benefit analysis</p> <p>12 and change them, if necessary?</p> <p>13 A. It's part of the -- part of the</p> <p>14 implementation process is to look at the suggested</p> <p>15 plan item and determine whether or not there are</p> <p>16 other ways of implementing that plan that could be</p> <p>17 either more cost beneficial or --</p> <p>18 So there's always a constant review of</p> <p>19 the things that we're trying to implement.</p> <p>20 Q. So would it be fair to say that the City</p> <p>21 will -- I mean, in -- will not finish its plans</p> <p>22 for implementation of the initiatives in the plan</p> <p>23 for the -- in the foreseeable future because it's</p> <p>24 an ongoing process?</p> <p>25 MR. STEWART: Objection.</p>
<p style="text-align: right;">Page 62</p> <p>1 JOHN W. HILL</p> <p>2 issues.</p> <p>3 Q. Anything else that comes to mind?</p> <p>4 A. Nothing specifically that comes to mind.</p> <p>5 Q. And did the financial stability</p> <p>6 agreement require improving grants management so</p> <p>7 that the City could improve its revenues from</p> <p>8 grants?</p> <p>9 A. I don't know that that was the intent.</p> <p>10 But, yes, you would hope that improving grants</p> <p>11 management would improve revenue from grants.</p> <p>12 Q. Your report says you're involved with</p> <p>13 cost benefit analysis. What does that entail?</p> <p>14 A. There are -- in all of the areas that we</p> <p>15 were moving forward with on restructuring</p> <p>16 initiatives, we have to look at the costs</p> <p>17 associated with those restructuring initiatives</p> <p>18 and whether or not there are other ways to get the</p> <p>19 same result for less cost.</p> <p>20 And so as part of the implementation of</p> <p>21 these restructuring initiatives, we're actually</p> <p>22 kind of going through that cost-benefit analysis</p> <p>23 process.</p> <p>24 Q. Do you agree that it's important that</p> <p>25 the financial benefits to the City of -- all the</p>	<p style="text-align: right;">Page 64</p> <p>1 JOHN W. HILL</p> <p>2 THE WITNESS: Each one of the</p> <p>3 initiatives in the Plan of Adjustment has a</p> <p>4 time frame over which it is implemented, and</p> <p>5 you can see that in the plan.</p> <p>6 And so foreseeable is just -- again,</p> <p>7 it's -- there's an expectation that there</p> <p>8 would be implementation over the time period</p> <p>9 that's in the plan.</p> <p>10 BY MR. SMITH:</p> <p>11 Q. Do you agree with me that the time</p> <p>12 frames for implementation of the various</p> <p>13 initiatives in the plan may change?</p> <p>14 A. Subject to not speculating, but I would</p> <p>15 expect that the time periods would -- for certain</p> <p>16 items will change. Some we may be able to</p> <p>17 implement more quickly; some may slip. But that's</p> <p>18 the case with the implementation of any plan.</p> <p>19 Q. And is it also accurate that some of the</p> <p>20 items in the plan may not actually be implemented;</p> <p>21 the City might decide not to implement them?</p> <p>22 A. I don't know that. I don't know that.</p> <p>23 Q. Would you be required to speculate to</p> <p>24 determine whether there are initiatives in the</p> <p>25 plan that will or will not be implemented by the</p>

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<p style="text-align: right;">Page 65</p> <p>1 JOHN W. HILL</p> <p>2 City?</p> <p>3 A. Yes, I would be required to speculate.</p> <p>4 Q. Is there actually a formal</p> <p>5 implementation plan that the City has created for</p> <p>6 the Plan of Adjustment?</p> <p>7 A. There is an implementation plan.</p> <p>8 No, there's not a formal -- the Plan of</p> <p>9 Adjustment is -- is the formal plan that includes</p> <p>10 all of those items. But there's no formal plan</p> <p>11 for implementation of all of the items beyond the</p> <p>12 Plan of Adjustment.</p> <p>13 Q. So there's no formal plan of</p> <p>14 implementation for the -- for all the items that</p> <p>15 are in the Plan of Adjustment; is that correct?</p> <p>16 A. There are individual plans for each</p> <p>17 item; but for all of the items, that would be the</p> <p>18 Plan of Adjustment.</p> <p>19 Q. Are there items in the initiatives for</p> <p>20 which there's not yet an implementation plan?</p> <p>21 A. Yes. Beyond the Plan of Adjustment,</p> <p>22 yes.</p> <p>23 Q. And what type of items fall in that</p> <p>24 category?</p> <p>25 A. There are some items that aren't to</p>	<p style="text-align: right;">Page 67</p> <p>1 JOHN W. HILL</p> <p>2 A. Well, as part of the grants management</p> <p>3 structure, we've created an office that we call</p> <p>4 the chief revenue officer for the City. And that</p> <p>5 position's function would be to secure</p> <p>6 additional -- to work with the department</p> <p>7 directors to secure additional revenues. So</p> <p>8 that's -- that's one piece of the work that we</p> <p>9 would do.</p> <p>10 Q. And what are the other sources of new</p> <p>11 funding that you're responsible for securing as</p> <p>12 part of your job?</p> <p>13 A. There are no others that have been</p> <p>14 identified specifically, but I would work with the</p> <p>15 Mayor on his activities to review -- to secure</p> <p>16 additional revenue for the City.</p> <p>17 Q. What are the other sources of new</p> <p>18 revenue for the City that the Mayor and you would</p> <p>19 be jointly working on acquiring?</p> <p>20 A. As I've said, all cities continue to</p> <p>21 look for revenue and ways to reduce expenditures</p> <p>22 in the future. And so there's no question that</p> <p>23 the Mayor will have discussions with the State for</p> <p>24 additional revenue, and other revenue sources may</p> <p>25 be identified as a result of that.</p>
<p style="text-align: right;">Page 66</p> <p>1 JOHN W. HILL</p> <p>2 begin for a few years yet; and those, we're</p> <p>3 beginning to plan out what the implementation</p> <p>4 would be on those.</p> <p>5 But so, no, there's not a detailed</p> <p>6 implementation plan behind every item in the Plan</p> <p>7 of Adjustment.</p> <p>8 Q. Is there an implementation plan for the</p> <p>9 blight-reduction efforts yet?</p> <p>10 A. The City does have a plan for blight</p> <p>11 reduction.</p> <p>12 Q. And who would have that document or --</p> <p>13 A. It's -- when you say "a plan," you mean</p> <p>14 a document? Or do you mean a strategy?</p> <p>15 Q. Well, is there a document that lays out</p> <p>16 the City's plan for blight-elimination</p> <p>17 expenditures?</p> <p>18 A. There are several documents that do</p> <p>19 that.</p> <p>20 Q. It says that your -- one of your</p> <p>21 responsibilities is securing new funding; is that</p> <p>22 correct?</p> <p>23 A. Yes, that is a part of --</p> <p>24 Q. And what are the sources of potential</p> <p>25 new funding that you are responsible for securing?</p>	<p style="text-align: right;">Page 68</p> <p>1 JOHN W. HILL</p> <p>2 Q. Do you agree that the City will continue</p> <p>3 to look for new ways to increase revenue or</p> <p>4 decrease costs, regardless of whether the plan is</p> <p>5 confirmed by the bankruptcy court?</p> <p>6 A. That would -- that would provide me to</p> <p>7 speculate. Because if the plan isn't confirmed, I</p> <p>8 don't know how the City will continue to operate.</p> <p>9 But that's just my opinion --</p> <p>10 Q. Okay. I mean, but if the plan weren't</p> <p>11 confirmed, then you would continue doing your job;</p> <p>12 right?</p> <p>13 A. If the plan weren't confirmed? Again,</p> <p>14 you're asking me to -- you're asking me to</p> <p>15 speculate on if the -- one, if the plan weren't</p> <p>16 confirmed, if I would still be there. And I don't</p> <p>17 know. It's the future. Anything could happen.</p> <p>18 Q. And you agree with me that over the next</p> <p>19 10 years, anything could happen with respect to</p> <p>20 the City's revenues and costs because there are so</p> <p>21 many factors that influence them?</p> <p>22 A. There are factors that influence the</p> <p>23 cost, yes, and revenues.</p> <p>24 Q. And so anything could happen?</p> <p>25 A. Not -- that's very broad. I wouldn't</p>

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<p style="text-align: right;">Page 69</p> <p>1 JOHN W. HILL</p> <p>2 agree that anything could happen.</p> <p>3 Q. And do you agree that there's a wide</p> <p>4 range of possible outcomes over the next ten years</p> <p>5 in terms of the City's fiscal situation and its</p> <p>6 revenues and costs?</p> <p>7 A. I agree that if you change variables</p> <p>8 that a plan is built on, then that would change</p> <p>9 the result, if that's what you're asking me to</p> <p>10 answer.</p> <p>11 Q. And are there other factors outside the</p> <p>12 City's control that will impact its revenues and</p> <p>13 costs in unknown ways over the next 10 years?</p> <p>14 A. There are.</p> <p>15 Q. And what are some of those factors?</p> <p>16 A. Population growth would be a factor.</p> <p>17 What happens in the general economy would be a</p> <p>18 factor. What happens at the State level would be a</p> <p>19 factor. So it's -- so there are a number of</p> <p>20 different things that might have an impact.</p> <p>21 Q. Do you agree that reliable financial</p> <p>22 data is critical for City operations?</p> <p>23 A. Yes.</p> <p>24 Q. And is that why you're implementing the</p> <p>25 new financial management system?</p>	<p style="text-align: right;">Page 71</p> <p>1 JOHN W. HILL</p> <p>2 that we're doing around restructuring the finance</p> <p>3 operation, we're looking at all of the work</p> <p>4 streams. And some of those work streams involve</p> <p>5 the collection of revenue and determining the</p> <p>6 types of people that are needed to be in-house;</p> <p>7 the skills, the salaries that we'd have to pay</p> <p>8 them in order to improve those collections</p> <p>9 activities.</p> <p>10 So it's -- it's a combination of</p> <p>11 outsourcing and changing what we're doing inside.</p> <p>12 Q. And has the City already taken actions</p> <p>13 that will increase collection of revenues in the</p> <p>14 future?</p> <p>15 A. Yes. Those -- some of the ones I just</p> <p>16 mentioned are actions that would help to increase</p> <p>17 revenue. We've hired -- we've hired collection --</p> <p>18 a collection company in a couple of instances on</p> <p>19 some of the revenues. So, yes, action is already</p> <p>20 occurring.</p> <p>21 Q. And there were some quality-of-life</p> <p>22 funds that the City had received. Did you use</p> <p>23 funds from that or some other source for the</p> <p>24 activities to improve collections?</p> <p>25 A. There are funds from the quality of life</p>
<p style="text-align: right;">Page 70</p> <p>1 JOHN W. HILL</p> <p>2 A. That's one of the reasons, yes.</p> <p>3 Q. Your report says that you have</p> <p>4 responsibility for certain restructuring and</p> <p>5 reinvestment initiatives. Can you tell me which</p> <p>6 ones?</p> <p>7 A. Yes. I'm working jointly with the --</p> <p>8 the ones I'm spending the most time on right now,</p> <p>9 I'm working jointly with the CIO on the</p> <p>10 implementation of an ERP solutions -- that would</p> <p>11 be the financial management system -- and would</p> <p>12 also be other modules that would have human</p> <p>13 capital management as a part of that. So that's</p> <p>14 one of the major ones.</p> <p>15 I'm also working with other people on my</p> <p>16 team with revenue collection, some of the revenue</p> <p>17 collection parts of the plan. And then also</p> <p>18 grants management is a major restructuring</p> <p>19 initiative that I'm spending my time on.</p> <p>20 Q. Is the City actively engaged in efforts</p> <p>21 to increase collection of revenues?</p> <p>22 A. Yes.</p> <p>23 Q. What activities is the City actively</p> <p>24 engaged in?</p> <p>25 A. Hiring collectors. As part of the work</p>	<p style="text-align: right;">Page 72</p> <p>1 JOHN W. HILL</p> <p>2 that will be used and are being used to support</p> <p>3 the changes in the collection activities, yes.</p> <p>4 Q. What was the main use of the</p> <p>5 quality-of-life funds that the City received?</p> <p>6 A. There was a list of items that were</p> <p>7 allowed under the judge's agreement for us to go</p> <p>8 forward with the quality of life, and those are</p> <p>9 the -- I can give you a couple of the examples</p> <p>10 that I know offhand.</p> <p>11 Certainly for police vehicles. To</p> <p>12 support fire vehicles, getting fire vehicles as</p> <p>13 well. Civilianization of the police department is</p> <p>14 one of the initiatives that's under the Plan of</p> <p>15 Adjustment. The funding will be used to support</p> <p>16 the initial work that's being done on the</p> <p>17 financial management and ERP solution, and</p> <p>18 grant -- the implementation of grants management</p> <p>19 as well.</p> <p>20 Q. Has the City spent all the</p> <p>21 quality-of-life funds yet or not?</p> <p>22 A. No, it has not.</p> <p>23 Q. Do you know how much of the money is</p> <p>24 spent?</p> <p>25 A. The last -- you have to define "spent."</p>

Pages 69 to 72

<p style="text-align: right;">Page 73</p> <p>1 JOHN W. HILL</p> <p>2 There's been so far, I think it's approximately</p> <p>3 40 million of the funds that have been allocated.</p> <p>4 There are a list of about \$200 million worth of</p> <p>5 projects that departments have applied for</p> <p>6 quality-of-life funds for. And we're going</p> <p>7 through a detailed review process of the detailed</p> <p>8 plans around those projects before we will approve</p> <p>9 and release funding to those agencies to begin the</p> <p>10 implementation.</p> <p>11 Q. Are there agencies that have sought to</p> <p>12 or requested to use the quality-of-life funds for</p> <p>13 unapproved uses?</p> <p>14 MR. STEWART: Objection.</p> <p>15 THE WITNESS: There are departments that</p> <p>16 have sought to use quality-of-life funds for</p> <p>17 items that were not included -- the items</p> <p>18 that were included in the plan but not</p> <p>19 included in the list of items that the judge</p> <p>20 received in order for us to support the</p> <p>21 quality-of-life borrowing.</p> <p>22 BY MR. SMITH:</p> <p>23 Q. And can you give me examples of those?</p> <p>24 A. Yes.</p> <p>25 One of them -- well, I'll give you two</p>	<p style="text-align: right;">Page 75</p> <p>1 JOHN W. HILL</p> <p>2 projects that are requesting funding.</p> <p>3 The largest portion of quality-of-life</p> <p>4 funding will be around -- largest single portion</p> <p>5 would be around capital acquisition and systems</p> <p>6 improvements, will be the two largest segments.</p> <p>7 Q. What kind of capital acquisition?</p> <p>8 A. Police vehicles; fire and emergency</p> <p>9 vehicles; and, again, the financial management</p> <p>10 system and the HRIS system.</p> <p>11 Q. Are the funds already being expended on</p> <p>12 vehicles for the police and fire, or not yet?</p> <p>13 A. There are contracts that are out for</p> <p>14 that, yes.</p> <p>15 Q. Okay. So the funds have already started</p> <p>16 to be spent, or not?</p> <p>17 A. Expended is a specific accounting term</p> <p>18 in government accounting, so I need to know</p> <p>19 what -- what you really --</p> <p>20 Q. Is it that the contracts have been</p> <p>21 signed? Have the contracts already been signed?</p> <p>22 A. Some of the contracts have been signed.</p> <p>23 Q. It says in your report that you will</p> <p>24 testify about the City's revenues, forecasts and</p> <p>25 certain expenses and ability to pay for</p>
<p style="text-align: right;">Page 74</p> <p>1 JOHN W. HILL</p> <p>2 examples of items that we rejected. One was a</p> <p>3 project for onboarding, buying systems that would</p> <p>4 help to onboard employees in the HR department.</p> <p>5 And we refused to let those go forward until we</p> <p>6 had a plan for how HR was going to change their</p> <p>7 processes.</p> <p>8 So one of the criterias, we do not want</p> <p>9 to buy new technology without specifically knowing</p> <p>10 how that technology is going to support a new</p> <p>11 process. So that would have been one example.</p> <p>12 Q. Are there others?</p> <p>13 A. There were others, but I don't remember</p> <p>14 them off the top of my head.</p> <p>15 Q. Okay. You said \$40 million in</p> <p>16 quality-of-life funds has already been allocated.</p> <p>17 What's the number one expenditure that the City is</p> <p>18 using the quality-of-life funds for?</p> <p>19 A. As I said, there's a whole list of</p> <p>20 potential projects that are -- that could be paid</p> <p>21 for out of quality-of-life funding. And there's a</p> <p>22 queue of a number of quality-of-life funding</p> <p>23 requests that we're currently reviewing. So</p> <p>24 there's over -- there's over a hundred -- there's</p> <p>25 over \$200 million worth of quality-of-life</p>	<p style="text-align: right;">Page 76</p> <p>1 JOHN W. HILL</p> <p>2 restructuring investment -- in investment over on</p> <p>3 Page 2 of your report at the bottom. I'm just</p> <p>4 wondering what -- is that accurately characterized</p> <p>5 what you plan to testify about, or -- it's on</p> <p>6 Page 2 --</p> <p>7 A. Let me take a minute to read it.</p> <p>8 Q. -- at the bottom.</p> <p>9 A. Yes. In general, yes.</p> <p>10 Q. Okay. And if you could elaborate on</p> <p>11 that.</p> <p>12 A. Do you have a specific question?</p> <p>13 Q. Well, I guess I'm wondering what, as you</p> <p>14 might say, it's kind of a broad -- I mean, it's</p> <p>15 kind of a vague topic, so I'm just trying to get a</p> <p>16 little bit more guidance about the types of things</p> <p>17 you want to tell the Court if you can do it now.</p> <p>18 I mean, if you can't, that's fine too.</p> <p>19 A. I'm not really sure what the -- are you</p> <p>20 asking me -- I'm not really sure what the question</p> <p>21 is.</p> <p>22 Q. I guess, what are you planning to</p> <p>23 testify about at the confirmation hearing, if you</p> <p>24 know?</p> <p>25 A. The testimony hasn't been prepared. It</p>

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<p style="text-align: right;">Page 77</p> <p>1 JOHN W. HILL</p> <p>2 really will depend on preparation for</p> <p>3 confirmation.</p> <p>4 But in general, whether or not the items</p> <p>5 under the plan, that is, the restructuring</p> <p>6 initiatives under the plan, specific restructuring</p> <p>7 initiatives have the funding that's needed within</p> <p>8 the plan in order to be able to have them</p> <p>9 implemented over the time periods that are</p> <p>10 indicated in the plan.</p> <p>11 I would testify to that and would -- as</p> <p>12 you know, the plan does not require any borrowings</p> <p>13 other than the ones that -- the two that are in</p> <p>14 the plan over the first 10 years.</p> <p>15 And so the question is, are the -- are</p> <p>16 the forecasts in the plans of revenues enough for</p> <p>17 the City to operate under the plan and also have</p> <p>18 enough funding to implement the -- the Plan of</p> <p>19 Adjustment items that I'm specifically involved in</p> <p>20 in the plan. So that's --</p> <p>21 Q. And do you agree that if inflation</p> <p>22 increases, it will adversely impact the City's</p> <p>23 ability to execute the restructuring and</p> <p>24 reinvestment initiatives?</p> <p>25 A. No.</p>	<p style="text-align: right;">Page 79</p> <p>1 JOHN W. HILL</p> <p>2 A. So all things being equal, increasing</p> <p>3 wages without increasing some revenue source to</p> <p>4 pay for them would, or reduce the number of</p> <p>5 employees, would have a negative impact on the</p> <p>6 plan. Whether that could be offset by other</p> <p>7 things, I don't know.</p> <p>8 Q. The -- does the City do revenue or</p> <p>9 expense forecasting currently?</p> <p>10 A. Yes. That was -- that's what the</p> <p>11 consensus report was.</p> <p>12 Q. Okay. And the consensus report, does</p> <p>13 that look at a period of three fiscal years?</p> <p>14 A. Yes.</p> <p>15 Q. And the consensus report, does it --</p> <p>16 does it forecast both revenues and expenditures or</p> <p>17 just revenues?</p> <p>18 A. It forecasts revenues.</p> <p>19 Q. But not expenditures?</p> <p>20 A. Expenditures are not forecasted in the</p> <p>21 revenue forecast.</p> <p>22 Q. Okay. Does the City do any forecasting</p> <p>23 of expenditures?</p> <p>24 A. Yes. Its budgets are forecasts of</p> <p>25 expenditures.</p>
<p style="text-align: right;">Page 78</p> <p>1 JOHN W. HILL</p> <p>2 Q. Well, if the costs associated with</p> <p>3 restructuring and reinvestment increased, do you</p> <p>4 agree that the City's ability to execute the</p> <p>5 initiatives will be adversely impacted?</p> <p>6 A. No. Inflation has two sides to it.</p> <p>7 Inflation could also inflate property values which</p> <p>8 may change the amount of tax revenue. So -- so I</p> <p>9 can't say absolutely that inflation would only</p> <p>10 have an impact on the expenses but not have a</p> <p>11 positive impact on the revenue, so I can't answer</p> <p>12 that.</p> <p>13 Q. So future inflation could increase</p> <p>14 property values; correct?</p> <p>15 A. Could increase properties, it could</p> <p>16 increase incomes. So -- so that's why I can't say</p> <p>17 I agree with your statement.</p> <p>18 Q. And do you agree that if the City</p> <p>19 increases wages above the amounts assumed in the</p> <p>20 current plan that that would adversely impact the</p> <p>21 City's ability to implement the restructuring and</p> <p>22 reinvestment initiatives?</p> <p>23 A. If you increase wages within the plan,</p> <p>24 you have to find a place to pay for it.</p> <p>25 Q. Yeah.</p>	<p style="text-align: right;">Page 80</p> <p>1 JOHN W. HILL</p> <p>2 Q. And are those one-year forecasts?</p> <p>3 A. No. Those are three-year budgets.</p> <p>4 Q. Okay. So the City -- the forecasting</p> <p>5 the City does is it does a three-year forecast of</p> <p>6 revenues and expenditures in its budget, and it</p> <p>7 does a three-year forecast of revenues in the</p> <p>8 consensus revenue estimate?</p> <p>9 A. That's not accurate. The City does a</p> <p>10 three-year forecast of revenues in its -- in the</p> <p>11 revenue consensus and then uses those revenues in</p> <p>12 its budget and then does a forecast of</p> <p>13 expenditures in the budget against those revenues.</p> <p>14 Q. And so the forecast that the City does</p> <p>15 in the ordinary course of its business are limited</p> <p>16 to three years; correct?</p> <p>17 A. The forecast in the budgets are, but</p> <p>18 there's other forecasting that occurs on -- when</p> <p>19 we look at the impact of certain items over time.</p> <p>20 Q. What other forecasting does the City do?</p> <p>21 A. There's forecasting that occurs around</p> <p>22 specific projects that we're working on. For</p> <p>23 instance, if the City is considering an</p> <p>24 outsourcing, you would look at a forecast for</p> <p>25 those expenditures, not just over the period of</p>

Pages 77 to 80

1 **JOHN W. HILL**
2 **time in the budget but over a longer period of**
3 **time, to determine what the ultimate impact,**
4 **economic impact would be. So I would consider**
5 **those forecasts outside of the budget but for a**
6 **longer period of time than just three years.**
7 Q. What outsourcing forecasts has the City
8 done?
9 **A. There was a forecast that was done on**
10 **the -- the outsource that the City has**
11 **implemented, the trash collection.**
12 Q. And anything else that the City has
13 forecast for outsourcing?
14 **A. None that come to mind right now.**
15 Q. Okay. The trash collection forecast,
16 who performed that forecast?
17 **A. It was forecast with a combination of**
18 **City employees and also consultant help.**
19 Q. And what consultant was that?
20 **A. Conway MacKenzie was involved in that.**
21 Q. And the -- but in the ordinary course of
22 its business when forecasting its total revenues
23 and expenditures, the City uses a three-year
24 period; correct?
25 **A. You have to define ordinary course of**

1 **JOHN W. HILL**
2 **the business. The -- the City --**
3 MR. STEWART: Just let him ask you a
4 question.
5 BY MR. SMITH:
6 Q. Yeah, you can answer that.
7 **A. Answer what?**
8 Q. My question.
9 MR. STEWART: What is the pending
10 question?
11 THE WITNESS: What was the question?
12 BY MR. SMITH:
13 Q. Do you agree that the City uses a period
14 of three years to forecast the total expenditures
15 and revenues of the City?
16 **A. For budget purposes.**
17 Q. And there's no other forecast the City
18 does for overall revenues or expenditures of the
19 City; correct?
20 **A. I have seen other forecasts, but if**
21 **you're asking me is the City doing them or are**
22 **they forecasts that other consultants are involved**
23 **in, so I couldn't -- I can't answer that question.**
24 Q. I'm not talking about the Ernst & Young
25 forecasts. I'm talking about what the City does

1 JOHN W. HILL
2 to run its business.
3 The City does a three-year forecast in
4 figuring out the revenues and expenditures that it
5 will have in running its business; correct?
6 **A. For its budget, the City does a**
7 **three-year forecast which will change as a result**
8 **of legislation that's already been passed by the**
9 **State.**
10 Q. What's that legislation specify?
11 **A. That legislation specifies four years.**
12 Q. Okay. And when is that designed to
13 occur?
14 **A. After the bankruptcy's settled.**
15 Q. So the -- the -- on the consensus
16 forecast, you work with Eric Scorsone. Is that
17 how you pronounce his name?
18 **A. Yes, we do work with him.**
19 Q. What is his role?
20 **A. His role is to provide the group with an**
21 **understanding of what's in the national state and**
22 **local economy, factors that could have an impact**
23 **on the basic revenues that are in the -- that make**
24 **up the budget and general fund.**
25 Q. How did he become involved in the

1 JOHN W. HILL
2 consensus forecasting process?
3 **A. I don't know the history. I understand**
4 **he's been involved for some time, but I don't know**
5 **the history of his involvement.**
6 MR. SMITH: Take a break?
7 THE WITNESS: Can we take a break?
8 MR. SMITH: Just speak up whenever you
9 want a break is fine.
10 THE VIDEOGRAPHER: Going off the record
11 at 10:40. This is the end of Tape No. 1.
12 (Short break taken.)
13 THE VIDEOGRAPHER: We are back on the
14 record at 10:48. This is the beginning of
15 Tape No. 2.
16 BY MR. SMITH:
17 Q. Mr. Hill, what are the largest sources
18 of untapped revenue for the City?
19 **A. I haven't done a study on that.**
20 Q. Have you done a study on what the
21 largest sources of untapped costs for the City
22 are?
23 **A. No.**
24 Q. You, in your expert report, mentioned
25 that -- you reference the Ernst & Young

<p style="text-align: right;">Page 85</p> <p>1 JOHN W. HILL</p> <p>2 projections in the fourth-amended disclosure</p> <p>3 statement and then an update in July of those</p> <p>4 forecasts. Do you recall that?</p> <p>5 A. Do you want to direct me to a page?</p> <p>6 Q. Well, on Page 2, at the bottom -- let's</p> <p>7 see. Let me just check something.</p> <p>8 It's actually Page 3, Paragraph 6. Do</p> <p>9 you see that you reference some projection</p> <p>10 statements as set forth in Exhibit J to the</p> <p>11 disclosure statement as updated and then you cited</p> <p>12 July 2nd, 2014, update? Do you see that?</p> <p>13 A. Yes.</p> <p>14 Q. Do you have an understanding of what the</p> <p>15 difference between the projections in the</p> <p>16 disclosure statement and the update in July is?</p> <p>17 A. I know some of the differences. I don't</p> <p>18 know that I would know all of the differences.</p> <p>19 Q. What differences are you aware of?</p> <p>20 A. There were changes in the July update on</p> <p>21 the -- on some of the reinvestment initiatives --</p> <p>22 and I'm blanking on exactly which ones -- but</p> <p>23 there were changes in those numbers. But beyond</p> <p>24 that, I really can't say.</p> <p>25 Q. Okay. Would it be fair to say that you</p>	<p style="text-align: right;">Page 87</p> <p>1 JOHN W. HILL</p> <p>2 updated a number of times since the initial plan,</p> <p>3 and so there's continued review of that as time</p> <p>4 goes on.</p> <p>5 Q. Would it be fair to say you can't</p> <p>6 explain all the assumptions in the Ernst & Young</p> <p>7 projection?</p> <p>8 A. That's fair.</p> <p>9 Q. The -- do you recognize Mr. Scorsone as</p> <p>10 an expert in the -- in his field?</p> <p>11 A. Yes. He's been -- yes.</p> <p>12 Q. The -- if you look over at Page 4 of</p> <p>13 your report, at the top, you say that the</p> <p>14 conference participants also considered the City's</p> <p>15 past revenue trash and collection rates in</p> <p>16 addition to comparisons of past actual revenues</p> <p>17 versus projections.</p> <p>18 Do you see that?</p> <p>19 A. Yes.</p> <p>20 Q. And do you agree it's important to</p> <p>21 consider collection rates in doing a projection of</p> <p>22 revenues; correct?</p> <p>23 A. Yes, it is important.</p> <p>24 Q. And why is that important to consider</p> <p>25 the collection rates and forecasting revenues?</p>
<p style="text-align: right;">Page 86</p> <p>1 JOHN W. HILL</p> <p>2 can't explain the details of the Ernst & Young</p> <p>3 projections; I'd have to ask Ernst & Young about</p> <p>4 that?</p> <p>5 A. Are you answering the question for me?</p> <p>6 Q. Well, I'm wondering if you can explain</p> <p>7 the details of the Ernst & Young projections.</p> <p>8 A. No. I generally understand the Ernst &</p> <p>9 Young projections. I also understand the</p> <p>10 projections that the -- the finance office did</p> <p>11 that were compared to the Ernst & Young</p> <p>12 projections.</p> <p>13 Q. Okay. But can you explain to me the</p> <p>14 details of the Ernst & Young projections or their</p> <p>15 methodology?</p> <p>16 A. No.</p> <p>17 Q. Do you -- do you know why there were</p> <p>18 changes to the reinvestment numbers in the July</p> <p>19 update of the Ernst & Young projections?</p> <p>20 A. I know -- I know that there were changes</p> <p>21 in the update for a number of reasons, certainly</p> <p>22 to reflect some of the settlements that might have</p> <p>23 occurred between the previous update and that</p> <p>24 update.</p> <p>25 And as you know, the plan has been</p>	<p style="text-align: right;">Page 88</p> <p>1 JOHN W. HILL</p> <p>2 A. Because collection rates determine --</p> <p>3 can determine the amount of revenue that is</p> <p>4 actually taken in to "cash" in the City.</p> <p>5 Q. Okay. The footnote on Page 4, you</p> <p>6 mentioned that the revenue conference omitted</p> <p>7 non-general fund grant revenues.</p> <p>8 Do you see that?</p> <p>9 A. Yes.</p> <p>10 Q. And what exactly was omitted and why?</p> <p>11 A. There are other -- there are other</p> <p>12 departmental-type revenues that are -- that are</p> <p>13 shown in the plan that were discussed, but they</p> <p>14 weren't really projected out in the -- by</p> <p>15 conference report. So they mostly dealt with the</p> <p>16 largest categories of revenues in the City's</p> <p>17 general fund.</p> <p>18 Q. So the consensus revenue estimate didn't</p> <p>19 attempt to forecast all of the City's revenues; is</p> <p>20 that correct?</p> <p>21 A. It did not. That's correct.</p> <p>22 Q. And there were some other categories</p> <p>23 here that were omitted: Unlimited tax, general</p> <p>24 bonds, obligation bonds, millage revenues and</p> <p>25 proceeds from bond sales. What exactly are those</p>

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<p style="text-align: right;">Page 89</p> <p>1 JOHN W. HILL</p> <p>2 items?</p> <p>3 A. Those are the millages that might be</p> <p>4 added potentially in the -- those -- the millage</p> <p>5 is -- it doesn't include any additional</p> <p>6 expectation of bond sales in the future. And it</p> <p>7 doesn't include any millages that would be</p> <p>8 associated with the sale of bonds. So that's just</p> <p>9 a declarative sentence.</p> <p>10 Q. I mean, isn't it possible that there</p> <p>11 will be bond sales in the future that raise</p> <p>12 revenue for the City?</p> <p>13 A. There aren't any in the plan other than</p> <p>14 the ones that -- that are -- the two that I</p> <p>15 mentioned. So . . .</p> <p>16 Q. But have there been discussions about</p> <p>17 other possible bond sales over the next 10 years</p> <p>18 other than what's in the plan?</p> <p>19 A. Certainly, there have been discussions</p> <p>20 of bonding potentially in conjunction with other</p> <p>21 activities outside of the general fund.</p> <p>22 Certainly, water and sewer, which is -- there have</p> <p>23 been discussions of bond transactions in water and</p> <p>24 sewer to support capital; so yes, there have been</p> <p>25 other discussions.</p>	<p style="text-align: right;">Page 91</p> <p>1 JOHN W. HILL</p> <p>2 You agree with that statement; correct?</p> <p>3 A. Yes, I do.</p> <p>4 Q. And then you mention some figures here</p> <p>5 with a net revenue of over \$250 million.</p> <p>6 Do you see that?</p> <p>7 A. Yes.</p> <p>8 Q. Do you know who calculated that value?</p> <p>9 A. It's a -- it's a mathematical</p> <p>10 calculation from the plan.</p> <p>11 Q. I mean, there are some numbers in here.</p> <p>12 Can you explain to me how these revenue numbers</p> <p>13 are calculated?</p> <p>14 A. Which revenue numbers?</p> <p>15 Q. Well, the 250 million. It gives</p> <p>16 examples, such as 76 million in collections after</p> <p>17 approximately 2.8 million in costs.</p> <p>18 And then for additional fire marshal</p> <p>19 inspections in EMS fleet, 23.5 million after</p> <p>20 approximately 10.2 million in costs.</p> <p>21 And it list other figures at the bottom</p> <p>22 of Page 5 and the top of Page 6.</p> <p>23 Do you see that?</p> <p>24 A. Yeah. Those are -- those are coming</p> <p>25 from the Plan of Adjustment, and they would have</p>
<p style="text-align: right;">Page 90</p> <p>1 JOHN W. HILL</p> <p>2 Q. Other than water and sewer, what other</p> <p>3 bond sales have been contemplated outside of the</p> <p>4 plan?</p> <p>5 A. I don't know of any outside of the plan.</p> <p>6 Q. On Page 5, you reference a -- there's a</p> <p>7 document -- there's a City of Detroit comparison</p> <p>8 of assumptions, if I can find reference to it.</p> <p>9 MR. STEWART: At the very top.</p> <p>10 BY MR. SMITH:</p> <p>11 Q. At the top. Do you see that reference?</p> <p>12 A. Uh-huh.</p> <p>13 Q. Who prepared that document?</p> <p>14 A. Let me read that whole section.</p> <p>15 Q. Okay.</p> <p>16 A. That was prepared by our -- out budget</p> <p>17 office.</p> <p>18 Q. Is the budget office under your</p> <p>19 supervision, or is that a separate department?</p> <p>20 A. It's under my supervision.</p> <p>21 Q. Okay. The -- Paragraph 8 of your</p> <p>22 report, on Page 5, you say that certain of those</p> <p>23 restructuring and reinvestment initiatives are</p> <p>24 likely to increase the revenues the City receives</p> <p>25 in the coming years.</p>	<p style="text-align: right;">Page 92</p> <p>1 JOHN W. HILL</p> <p>2 been calculated by Conway MacKenzie -- because</p> <p>3 it's in the restructuring part of the Plan of</p> <p>4 Adjustment.</p> <p>5 Q. Can you explain how the numbers on</p> <p>6 Page 5 and 6 of your report were calculated?</p> <p>7 A. I can explain some of the -- some of the</p> <p>8 factors that are involved in the calculation; but</p> <p>9 the exact calculation, no.</p> <p>10 Q. For the 36th District Court, there's a</p> <p>11 \$76 million figure.</p> <p>12 Do you see that?</p> <p>13 A. Yes, I do.</p> <p>14 Q. You know that the Court has hundreds of</p> <p>15 millions of dollars that it hasn't collected from</p> <p>16 various people; correct?</p> <p>17 A. I know that there are receivables still</p> <p>18 on the books that are very old.</p> <p>19 Q. And there's hundreds of millions of</p> <p>20 dollars of receivables that are still on the books</p> <p>21 for the Court; is that correct?</p> <p>22 A. Yes.</p> <p>23 Q. Are you working with the Court to try to</p> <p>24 collect the money that's outstanding or not?</p> <p>25 A. My staff and I are working with the</p>

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2 Court on that, yes.

3 Q. What activities are you working with the
4 Court on to try to collect outstanding sums owed
5 to the Court?

6 A. Well, the first activity was to work
7 with the Court on a plan and review of their
8 activities and work directly with Judge Talbot,
9 who has done a remarkable job around the
10 administration for the Court.

11 One of the major recommendations was to
12 have the Court hire a CFO that would be
13 responsible for managing the court's operation and
14 also helping with the collection efforts.

15 That CFO has been hired. And so -- and
16 we've also seen that some of the activities that
17 the judge has done already show historic -- show
18 more collections in the last several years than --
19 I mean, in the last several months than he had had
20 before because of the activities that they're
21 involved in.

22 Q. So the Court has already improved its
23 collection of amounts that were already
24 outstanding on the books?

25 A. The Court has improved its collections,

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2 yes.

3 Q. And do you -- and you anticipate that
4 the Court will continue to improve its collections
5 of amounts that are owed to the Court?

6 A. Yes; and the plan -- yes.

7 Q. Are there any of the restructuring or
8 reinvestment initiatives that will not increase
9 revenues or reduce costs?

10 A. There are a number of restructuring --
11 "will not increase" . . .

12 You'd have to say in -- in what amounts.
13 You mean -- are you saying, are there
14 restructuring -- you'd have to say in what
15 amounts.

16 Q. Well, I'm just wondering if there were
17 restructuring revenues -- if there are
18 restructuring initiatives that won't have a
19 positive financial benefit for the City in terms
20 of either increasing revenues or decreasing costs.

21 A. A direct -- it's -- you know, I think
22 all of them will have a direct impact on the
23 efficiency by which the City operates. There are
24 some initiatives that actually increase the
25 service-delivery levels for areas that have been

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2 neglected over a long period of time that will add
3 additional cost but may not have an impact on
4 revenue directly.

5 So there are initiatives in the Plan of
6 Adjustment that are intended to increase service
7 delivery to the citizens.

8 Q. Okay. So there's some initiatives in
9 the plan that will increase service delivery and
10 costs but won't have a positive financial impact
11 in terms of revenue to the City; is that correct?

12 A. It's -- it's not -- depending upon the
13 time period that you're looking at, it's not
14 absolutely correct. I certainly believe that
15 increasing service delivery could have an impact
16 on keeping residents from leaving the City and,
17 therefore, would have an impact on the -- the
18 projections associated with revenue from those
19 individuals, whether it's -- whether it's property
20 taxes or income taxes. So ultimately I think all
21 efforts to improve service delivery will have a
22 positive impact on the City.

23 Q. Can you cite any study or data that
24 shows that the initiatives in the plan to improve
25 service delivery will increase revenue?

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2 A. That is all of the initiatives in the
3 plan?

4 Q. Yeah.

5 A. No, I can't.

6 Q. I mean, when you -- some of these
7 service-delivery enhancements that are in the
8 plan, what are you contemplating there? Or what
9 are the examples?

10 A. Say with parks and recreation, the City
11 over time, because of the financial condition that
12 the City was in, cut a number of basic services.
13 And parks, for instance, were not maintained to
14 any acceptable level, either for safety of
15 citizens or for the enjoyment of and recreation
16 for citizens. The plan does include funding that
17 will help increase levels of that service
18 delivery.

19 There's also amounts in the plan for
20 vehicles, both in fire and in EMS, that will help
21 improve the response times to crime and to
22 emergencies. Those are -- those will be expected
23 to help improve service delivery.

24 And certainly in every -- in Washington,
25 D.C., if you're able to reduce crime, which was

<p style="text-align: right;">Page 97</p> <p>1 JOHN W. HILL</p> <p>2 one of the factors that we dealt with specifically</p> <p>3 at the Control Board, or the fear of crime, then</p> <p>4 it has a positive impact on residents in the city.</p> <p>5 And there was a study that was done on that.</p> <p>6 Q. And I think the police chief mentioned</p> <p>7 that arming the citizens should reduce crime,</p> <p>8 right, recently?</p> <p>9 A. I didn't -- I don't -- I didn't see</p> <p>10 that, but . . .</p> <p>11 Q. It was in the paper the other day. He</p> <p>12 was talking about it discourages crime to have</p> <p>13 armed -- people have armed -- be armed in the</p> <p>14 city.</p> <p>15 A. I don't have any comment on that.</p> <p>16 Q. Okay.</p> <p>17 You mention on Page 7 of your report</p> <p>18 that there may be deferrals of restructuring and</p> <p>19 reinvestment initiatives at the bottom of</p> <p>20 Paragraph 10 on Page 7.</p> <p>21 A. The plan --</p> <p>22 MR. STEWART: Just ask him -- he hasn't</p> <p>23 asked you a question. He's just asked you to</p> <p>24 look at that. Then he has a question he's</p> <p>25 going to ask you.</p>	<p style="text-align: right;">Page 99</p> <p>1 JOHN W. HILL</p> <p>2 And so there was a study that we asked Conway</p> <p>3 MacKenzie to do to identify all of those projects</p> <p>4 within the plan that have a positive impact on</p> <p>5 revenues and a negative impact on expenditures to</p> <p>6 make sure that those are not a part of the</p> <p>7 projects that we defer.</p> <p>8 Q. So there are projects on the list of</p> <p>9 expenditures that will not increase revenue or</p> <p>10 decrease costs; correct?</p> <p>11 A. Within the plan, yes.</p> <p>12 Q. And those projects, you have included</p> <p>13 some of those on a deferral list or all of them on</p> <p>14 a deferral list?</p> <p>15 A. Some of those, based on the -- based on</p> <p>16 the available revenues. So some of those.</p> <p>17 Q. Okay. So there are some projects that</p> <p>18 neither increase revenues nor decrease costs that</p> <p>19 you won't defer; correct?</p> <p>20 A. Yes.</p> <p>21 Q. And then there are these other projects</p> <p>22 on the deferral list that are -- that won't</p> <p>23 increase revenue or decrease costs; correct?</p> <p>24 A. There are projects on the deferral</p> <p>25 list --</p>
<p style="text-align: right;">Page 98</p> <p>1 JOHN W. HILL</p> <p>2 BY MR. SMITH:</p> <p>3 Q. Do you see it?</p> <p>4 A. Yes, I see it.</p> <p>5 Q. Okay.</p> <p>6 You say the deferrals will not</p> <p>7 materially change the additional revenue and cost</p> <p>8 savings.</p> <p>9 Do you see that?</p> <p>10 A. Yes.</p> <p>11 Q. There's no study that's been conducted</p> <p>12 by the City that shows that deferrals in the</p> <p>13 schedule will not impact revenue or cost savings</p> <p>14 associated with the plan; correct?</p> <p>15 A. That's not correct. That's not correct.</p> <p>16 Q. What study has been conducted?</p> <p>17 A. The way that we have decided to</p> <p>18 prioritize projects in the Plan of Adjustment is</p> <p>19 that we will absolutely start -- make sure that we</p> <p>20 start and finish those projects that, within the</p> <p>21 plan, have a positive impact -- are shown in the</p> <p>22 plan to have a positive impact on revenue or a --</p> <p>23 or create a reduction in expenditures. So those</p> <p>24 projects will be prioritized within -- and will</p> <p>25 not be projects that are on the deferral list.</p>	<p style="text-align: right;">Page 100</p> <p>1 JOHN W. HILL</p> <p>2 Q. Yeah.</p> <p>3 A. -- that the plan does not rely on those</p> <p>4 projects going forward to meet the revenue</p> <p>5 projections or reduce the expense projections.</p> <p>6 It's not necessarily true that those</p> <p>7 projects would not increase revenue or reduce</p> <p>8 expenses, but you may not be able to actually</p> <p>9 measure that right now.</p> <p>10 Q. And what are the -- what are the -- so</p> <p>11 you would agree with me that there are also</p> <p>12 projects on the list of expenditures the City has</p> <p>13 in the plan where you can't measure right now any</p> <p>14 potential increased revenue or decreased cost for</p> <p>15 those projects; correct?</p> <p>16 A. I would agree that there are projects in</p> <p>17 the plan where the plan is not relying on those</p> <p>18 projects to support the revenue projections or to</p> <p>19 reduce expenditures.</p> <p>20 Q. Do you agree that the revenue</p> <p>21 projections could be even higher under the plan?</p> <p>22 They could well be higher, correct, because of</p> <p>23 some of these projects that you're not depending</p> <p>24 on?</p> <p>25 A. I don't believe the projections can be</p>

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<p style="text-align: right;">Page 101</p> <p>1 JOHN W. HILL</p> <p>2 higher, no.</p> <p>3 Q. Well, the amount of revenue the City</p> <p>4 receives as a result of its planned activities</p> <p>5 could well be higher than the projections, because</p> <p>6 it has included a number of the projects in the</p> <p>7 projections.</p> <p>8 A. That's the nature of projections.</p> <p>9 Q. So that's true; correct?</p> <p>10 A. Again, it depends, but that's the nature</p> <p>11 of a projection.</p> <p>12 Q. What are the projects that weren't</p> <p>13 included in the projections that you see as having</p> <p>14 the biggest upside potential in terms of revenue</p> <p>15 or reduced costs?</p> <p>16 A. I think that the projects there that are</p> <p>17 in the plan, the revenue and the cost reduction</p> <p>18 that could be identified have been identified in</p> <p>19 the plan. So in terms of implementation or</p> <p>20 effects that aren't yet known, I couldn't say.</p> <p>21 If I could quantify it, then it should</p> <p>22 be -- it should be shown in the plan, and so I</p> <p>23 can't quantify those.</p> <p>24 Q. What are the items on the deferral list?</p> <p>25 What are the biggest dollar items?</p>	<p style="text-align: right;">Page 103</p> <p>1 JOHN W. HILL</p> <p>2 created with the criteria that I outlined earlier</p> <p>3 and then circulated to the Mayor and Kevyn.</p> <p>4 And -- and then they decided that this list</p> <p>5 represents the types of projects that might be</p> <p>6 deferred.</p> <p>7 Q. Do you have -- does the City have a</p> <p>8 formal procedure in place or structure in place</p> <p>9 for deciding which projects will be continued that</p> <p>10 are in the reinvestment initiative or which</p> <p>11 projects will be deferred?</p> <p>12 A. Not -- not yet. That goes through the</p> <p>13 Mayor and Kevyn Orr. In the future, Kevyn Orr</p> <p>14 won't be there. So I don't know what that</p> <p>15 project -- I don't know what that process would be</p> <p>16 outside of the -- the existing process.</p> <p>17 Q. Okay. And you agree that during the</p> <p>18 10-year period -- next 10 years after the</p> <p>19 bankruptcy, there will be different</p> <p>20 decision-makers who are deciding what initiatives</p> <p>21 impacting revenue and costs will be undertaken;</p> <p>22 correct?</p> <p>23 A. I would expect -- there aren't term</p> <p>24 limits on the Mayor; so he could still be there, I</p> <p>25 understand, 10 years from now. So I don't know.</p>
<p style="text-align: right;">Page 102</p> <p>1 JOHN W. HILL</p> <p>2 A. Certainly there were deferrals in the</p> <p>3 outyears on some of the blight remediation. The</p> <p>4 other ones don't -- I'd have to have the list in</p> <p>5 front of me to refresh my memory.</p> <p>6 Q. Is there an actual list of projects that</p> <p>7 might be deferred?</p> <p>8 A. Yes.</p> <p>9 Q. Where can I find that list or --</p> <p>10 A. I thought it was produced. I think it's</p> <p>11 in the disclosure.</p> <p>12 Q. You think it's in the disclosure</p> <p>13 statement?</p> <p>14 A. I know it was produced.</p> <p>15 Q. Is it possible that the City will not</p> <p>16 actually implement some of the projects on the</p> <p>17 deferral list?</p> <p>18 A. The intention is to implement those</p> <p>19 projects, just on a different schedule.</p> <p>20 Is it possible? Anything is possible.</p> <p>21 Q. Who decided what would be on the</p> <p>22 deferral list?</p> <p>23 A. It was a joint decision by the Mayor and</p> <p>24 by Kevyn Orr. The list was -- and I was involved</p> <p>25 in those discussions as well. But the list was</p>	<p style="text-align: right;">Page 104</p> <p>1 JOHN W. HILL</p> <p>2 It's the future. You're asking me to speculate</p> <p>3 who is going to be there.</p> <p>4 Q. You know Kevyn Orr won't be there</p> <p>5 anymore; right?</p> <p>6 A. I know he's said that he won't.</p> <p>7 Q. Okay. And basically new people can be</p> <p>8 elected as Mayor or elected to the City Council --</p> <p>9 A. Absolutely.</p> <p>10 Q. -- in the next 10 years; right?</p> <p>11 A. I agree with that statement.</p> <p>12 Q. So nobody can know who the</p> <p>13 decision-makers will be in the next 10 years for</p> <p>14 the City of Detroit; correct?</p> <p>15 A. No one can know.</p> <p>16 Q. And nobody can know what the priorities</p> <p>17 and decisions in -- decision-makers in Detroit</p> <p>18 will be over the next 10 years that might impact</p> <p>19 revenues and costs; correct?</p> <p>20 A. If no one can know the decision-makers,</p> <p>21 then no one can know the priorities, except</p> <p>22 that -- the only caveat to that would be if</p> <p>23 there's a plan in place. And depending upon the</p> <p>24 restrictions around that plan, that plan has</p> <p>25 embedded in it a set of priorities. I would -- I</p>

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<p style="text-align: right;">Page 105</p> <p>1 JOHN W. HILL</p> <p>2 would expect over time that just because of all</p> <p>3 the variables associated with governments and</p> <p>4 cities, that you have to respond to whatever</p> <p>5 situations occur.</p> <p>6 So I imagine that there could be</p> <p>7 changes.</p> <p>8 Q. Yeah. So you would expect over the next</p> <p>9 10 years, there would be changes in the</p> <p>10 initiatives taken by the City which could impact</p> <p>11 revenues and costs; correct?</p> <p>12 A. I would say there could be.</p> <p>13 Q. Yeah.</p> <p>14 A. I don't know that there will be.</p> <p>15 Q. But don't you expect that there will be,</p> <p>16 just given the nature of all the factors that the</p> <p>17 City has to deal with, that over the next 10</p> <p>18 years, they may change -- may make different</p> <p>19 policy decisions that could differently impact</p> <p>20 revenues and costs from what's currently being</p> <p>21 assumed?</p> <p>22 A. I expect that there will be</p> <p>23 additional -- that there will be areas that the</p> <p>24 City would have to respond to that may or may not</p> <p>25 have been contemplated in the plan.</p>	<p style="text-align: right;">Page 107</p> <p>1 JOHN W. HILL</p> <p>2 and processes in the future that will be a part of</p> <p>3 the fabric and the structure of the financial</p> <p>4 management process that will help to provide City</p> <p>5 officials with the information they need to make</p> <p>6 decisions in the future.</p> <p>7 Q. Are there other risks to implementation</p> <p>8 of the plan, as you see it, that you haven't</p> <p>9 mentioned already?</p> <p>10 A. Yeah. There are any number of risks to</p> <p>11 the implementation of any plan.</p> <p>12 Q. So you agree there are numerous risks to</p> <p>13 the implementation of this plan, just like any</p> <p>14 other plan; correct?</p> <p>15 A. Yes.</p> <p>16 Q. And do you agree that the length of time</p> <p>17 this plan covers -- you know, the long length of</p> <p>18 time, the 10-year horizon -- adds to the risks</p> <p>19 associated with the plan?</p> <p>20 A. You mean, 10, 20 and 40?</p> <p>21 Q. Yeah.</p> <p>22 A. Time is always a risk factor on any</p> <p>23 plan. The further out, the harder it is to see in</p> <p>24 any forecast.</p> <p>25 Q. And the City currently doesn't have the</p>
<p style="text-align: right;">Page 106</p> <p>1 JOHN W. HILL</p> <p>2 Q. What do you see as the biggest risks</p> <p>3 going forward for the plan?</p> <p>4 A. I think that there are a number of risks</p> <p>5 associated with the plan. Obviously</p> <p>6 implementation risk. The ability of the City to</p> <p>7 attract the people that it will need to help it to</p> <p>8 implement all of these projects is clearly a risk.</p> <p>9 The risks associated with the</p> <p>10 marketplace that the City will have to find these</p> <p>11 employees in because those are things that are</p> <p>12 outside of the City.</p> <p>13 So I'd say from a -- there's</p> <p>14 certainly -- there's risk of slippage of some of</p> <p>15 the projects beyond what anyone would know right</p> <p>16 now. But those are risks that are associated with</p> <p>17 any plan.</p> <p>18 But -- but Detroit has documented in</p> <p>19 many documents -- one of the most important</p> <p>20 things, in my mind, is to help the City to improve</p> <p>21 the information that's available to it to make</p> <p>22 those decisions and to have better information.</p> <p>23 So that's why I'm focusing a lot of my</p> <p>24 time and attention on reducing some of those risks</p> <p>25 by instituting processes now that will manage them</p>	<p style="text-align: right;">Page 108</p> <p>1 JOHN W. HILL</p> <p>2 people it needs to implement all the aspects of</p> <p>3 the plan; is that correct?</p> <p>4 A. All of the aspects of the plan?</p> <p>5 Q. Yeah.</p> <p>6 A. I don't understand the question.</p> <p>7 Q. You were mentioning that one risk was</p> <p>8 attracting high-quality people to implement basic</p> <p>9 parts of the plan; is that correct?</p> <p>10 A. What I was referring to is that the plan</p> <p>11 itself has embedded in it additional employees in</p> <p>12 the plan and some of the restructuring</p> <p>13 initiatives. And so the risk that I was speaking</p> <p>14 to before was about a specific initiative that</p> <p>15 would require additional employees. That's a part</p> <p>16 of the plan, not a risk of overseeing the plan.</p> <p>17 There are a number of positions that the</p> <p>18 Mayor is recruiting for that will be instrumental</p> <p>19 in helping us to implement the plan. One is the</p> <p>20 HR director, and that's a key position that is</p> <p>21 currently not filled.</p> <p>22 Q. And so there are key positions necessary</p> <p>23 to implement the plan that are currently not</p> <p>24 filled positions; correct?</p> <p>25 A. The one that I know of is the HR</p>

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<p style="text-align: right;">Page 109</p> <p>1 JOHN W. HILL</p> <p>2 director.</p> <p>3 Q. And one of the risks of the</p> <p>4 implementation of the plan going forward is to be</p> <p>5 able to hire the high-quality people you need to</p> <p>6 implement the plan as contemplated under the plan;</p> <p>7 is that correct?</p> <p>8 A. That is a risk.</p> <p>9 Q. And when salaries and wage growth is</p> <p>10 restricted, that adds to the risk associated with</p> <p>11 implementation of the plan; is that correct?</p> <p>12 A. You'd have to be more specific in terms</p> <p>13 of the positions and -- it's -- yeah.</p> <p>14 Q. In order to attract high-quality people,</p> <p>15 you need to pay them a good salary. Do you agree</p> <p>16 with that?</p> <p>17 A. Not necessarily. I would say we have</p> <p>18 high-quality people in the City who are willing to</p> <p>19 work for less than they might be able to get</p> <p>20 elsewhere. And -- I mean, yeah, there are a</p> <p>21 number of people who are of high quality in the</p> <p>22 City now who are receiving lower-than-market</p> <p>23 wages. So that's why I can't categorically agree</p> <p>24 with that statement.</p> <p>25 Q. Do you agree that one of the risks to</p>	<p style="text-align: right;">Page 111</p> <p>1 JOHN W. HILL</p> <p>2 correct?</p> <p>3 A. I have no idea. I don't know who the</p> <p>4 CFO would be after the bankruptcy. There's a</p> <p>5 whole process that determines that that hasn't</p> <p>6 occurred yet.</p> <p>7 Q. Is that why you have a nonemployment</p> <p>8 position currently? Or there was some statement</p> <p>9 in your report about having a contract that's not</p> <p>10 in a -- is not an employment contract or something</p> <p>11 like that.</p> <p>12 A. Yeah. I have -- I have a personal</p> <p>13 services contract with the emergency manager. And</p> <p>14 the emergency manager could only provide a</p> <p>15 contract for the period of time that the emergency</p> <p>16 manager would expect to be there.</p> <p>17 So since it's under the emergency</p> <p>18 manager's authority, so --</p> <p>19 Q. So when Mr. Orr leaves, you have to go</p> <p>20 unless you get some other arrangement with the</p> <p>21 City; is that correct?</p> <p>22 A. My contract has a termination date, so</p> <p>23 yeah, there has to be some -- there has to be some</p> <p>24 action for me to stay beyond my contract time.</p> <p>25 Q. Okay. And do you know when Mr. Orr is</p>
<p style="text-align: right;">Page 110</p> <p>1 JOHN W. HILL</p> <p>2 implementation of the plan is the constraints the</p> <p>3 City has on the amount of money it can pay the</p> <p>4 employees it needs to hire?</p> <p>5 A. I think that's a risk -- I've said</p> <p>6 that's a risk to the plan.</p> <p>7 Q. Have you agreed to stay at the City for</p> <p>8 a certain amount of time, or not?</p> <p>9 A. Not for a certain amount of time. I've</p> <p>10 told the Mayor that I am interested in staying.</p> <p>11 I've told the Mayor that -- we have not worked out</p> <p>12 the -- any of the specifics around that.</p> <p>13 As you know, there's a new process that</p> <p>14 goes into place after bankruptcy for the hiring of</p> <p>15 the CFO. Has to be appointed by the Mayor,</p> <p>16 confirmed by the Council, and confirmed by the</p> <p>17 Control Board.</p> <p>18 So no one knows the outcome of all of</p> <p>19 those processes.</p> <p>20 So I've expressed to the Mayor my</p> <p>21 interest in continuing to help move Detroit</p> <p>22 forward. I've not said how long that would be or</p> <p>23 the end of his term or whatever --</p> <p>24 Q. And right now you don't know whether</p> <p>25 you'll be the CFO after the bankruptcy or not;</p>	<p style="text-align: right;">Page 112</p> <p>1 JOHN W. HILL</p> <p>2 going to leave or not?</p> <p>3 A. No idea.</p> <p>4 Q. Do you anticipate Mr. Orr will leave</p> <p>5 this fall sometime?</p> <p>6 A. I know what he said. I know he said</p> <p>7 that he would leave sometime this fall. But you</p> <p>8 never know what can happen.</p> <p>9 Q. On Page 7 of your report you talk about</p> <p>10 the accrued pension liabilities.</p> <p>11 Do you see that section?</p> <p>12 A. Uh-huh.</p> <p>13 Q. You say you analyzed the financial</p> <p>14 ability of the City to fund the accrued pension</p> <p>15 liabilities.</p> <p>16 What exactly did you do to analyze that?</p> <p>17 A. We looked at what the accrued pension</p> <p>18 liabilities would be and then looked at the</p> <p>19 sources that the City would have available to it</p> <p>20 as a function of the plan to satisfy those</p> <p>21 liabilities.</p> <p>22 Q. And in the past you're aware that the</p> <p>23 City has deferred payments to the pension funds;</p> <p>24 is that correct?</p> <p>25 A. Yes.</p>

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<p style="text-align: right;">Page 113</p> <p>1 JOHN W. HILL</p> <p>2 Q. And that was a mechanism the City used</p> <p>3 to improve its financial situation?</p> <p>4 A. I don't know the purpose that they did</p> <p>5 it. I wasn't there at that time.</p> <p>6 Q. Do you know that -- that the Detroit</p> <p>7 pensions are actually funded at a higher level</p> <p>8 than comparable cities?</p> <p>9 MR. STEWART: Objection.</p> <p>10 THE WITNESS: You'd have to tell me what</p> <p>11 cities, and then we'd have to argue whether</p> <p>12 they're comparable or not.</p> <p>13 BY MR. SMITH:</p> <p>14 Q. Are the Detroit pensions funded at a</p> <p>15 higher level than the District of Columbia's</p> <p>16 pensions were funded?</p> <p>17 A. I don't know if they're funded at a</p> <p>18 higher level. I don't know if they're funded --</p> <p>19 Q. Are there cities you're aware of that</p> <p>20 have funding of their pensions at lower levels</p> <p>21 than the City of Detroit?</p> <p>22 A. Yes. And many of them are in trouble.</p> <p>23 Q. What are some of the examples?</p> <p>24 A. Chicago would be one.</p> <p>25 Q. Are there other -- and Chicago is not in</p>	<p style="text-align: right;">Page 115</p> <p>1 JOHN W. HILL</p> <p>2 municipalities could potentially take. What did</p> <p>3 you mean by that statement?</p> <p>4 A. That there's very little play in -- if</p> <p>5 you look at the Plan of Adjustment, there's a</p> <p>6 contingency line. And that's about it in terms of</p> <p>7 the play that the City might have. It's not</p> <p>8 really play, but it's a contingency line.</p> <p>9 And beyond that, I'm not able to</p> <p>10 identify other places that, if the -- if the</p> <p>11 City's payments were tied to other activities</p> <p>12 within the pension plan that they would be able to</p> <p>13 meet those requirements.</p> <p>14 So in Detroit the more certainty that</p> <p>15 you have around what the payments are, the more</p> <p>16 likely that you're going to be able to plan for</p> <p>17 those payments. And so that's what that means.</p> <p>18 I just haven't identified any other</p> <p>19 places within the Plan of Adjustment other than</p> <p>20 the contingency where a major shift in what the</p> <p>21 City was required to pay to the pension plans</p> <p>22 wouldn't have drastic impacts on other parts of</p> <p>23 the plan.</p> <p>24 Q. And did the level of the City's pension</p> <p>25 funding and pension obligations represent a risk</p>
<p style="text-align: right;">Page 114</p> <p>1 JOHN W. HILL</p> <p>2 Chapter 9 bankruptcy; correct?</p> <p>3 A. It's not, as far as I know.</p> <p>4 Q. Are there other cities that have funding</p> <p>5 of pension levels that are lower than Detroit's</p> <p>6 that are not in Chapter 9 bankruptcy?</p> <p>7 A. I don't -- I don't know of a -- you'd</p> <p>8 have to tell me what cities are in Chapter 9. I</p> <p>9 can't answer that question.</p> <p>10 Q. You know there are other examples of --</p> <p>11 there are actually a number of examples, aren't</p> <p>12 there, of cities that have lower funding of their</p> <p>13 pensions than Detroit's that are major cities;</p> <p>14 correct?</p> <p>15 A. I've conceded that I know of one.</p> <p>16 Q. Are there others that you know of?</p> <p>17 A. Not that I can name offhand.</p> <p>18 Q. You just haven't investigated that one</p> <p>19 way or the other to look at the funding levels</p> <p>20 of -- what the funding levels are of pensions in</p> <p>21 other cities comparable to Detroit?</p> <p>22 A. I have not looked at that.</p> <p>23 Q. Okay. You also mentioned in the same</p> <p>24 paragraph that the City will not be in a position</p> <p>25 to take risks that more financially sound</p>	<p style="text-align: right;">Page 116</p> <p>1 JOHN W. HILL</p> <p>2 to implementation of the plan?</p> <p>3 A. The level of the funding is specified in</p> <p>4 the plan.</p> <p>5 Q. And I'm just wondering whether the</p> <p>6 pension -- the pension obligations the City is</p> <p>7 still going to have after the plan is confirmed,</p> <p>8 whether those represent a risk to implementation</p> <p>9 of the plan just because they're so large.</p> <p>10 A. The obligations are projected in the</p> <p>11 plan. So the plan -- so I -- and the obligations</p> <p>12 going forward have some certainty in terms of</p> <p>13 being based on factors that you know. So it's</p> <p>14 less of a risk as it's constructed in the plan</p> <p>15 than it was before the plan.</p> <p>16 Q. But still after the plan, is there --</p> <p>17 did the pension obligations still represent a risk</p> <p>18 to the fiscal health of the City?</p> <p>19 A. The plan has adequate resources to pay</p> <p>20 for the projected pension obligations that are in</p> <p>21 the plan. Any obligations that might exist</p> <p>22 outside of the plan could cause a problem with</p> <p>23 having to make adjustments in the plan. That's</p> <p>24 just a fact.</p> <p>25 So any obligations that come in at</p>

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<p style="text-align: right;">Page 117</p> <p>1 JOHN W. HILL</p> <p>2 higher levels than are anticipated in the plan</p> <p>3 have to be absorbed in some way. And the plan has</p> <p>4 \$11 million a year -- approximately \$11 million a</p> <p>5 year in contingencies, but that's -- that's all</p> <p>6 that's there.</p> <p>7 Q. Yeah.</p> <p>8 A. So I'm trying to answer your question as</p> <p>9 best I can.</p> <p>10 Q. Well, I mean, my question is, did the</p> <p>11 pension obligations continue to represent, after</p> <p>12 the plan is confirmed, a potential risk to the</p> <p>13 City in terms of its fiscal health, the fact that</p> <p>14 it still has these pension obligations as they're</p> <p>15 defined under the plan?</p> <p>16 A. And as I answered, only if those</p> <p>17 obligations are outside of what's been projected,</p> <p>18 which is the case with any part of the plan.</p> <p>19 That would be my answer.</p> <p>20 Q. Well, I mean, if the cost for decorating</p> <p>21 the Mayor's office changes or something like that,</p> <p>22 that's not going to impact the City's fiscal</p> <p>23 health; correct? I mean, the Mayor's budget is</p> <p>24 not going to sink the City again, is it?</p> <p>25 A. You're asking me to speculate. I -- I</p>	<p style="text-align: right;">Page 119</p> <p>1 JOHN W. HILL</p> <p>2 pension costs in accordance with the</p> <p>3 agreements that are currently in place, and</p> <p>4 that is anticipated in the plan.</p> <p>5 So to say that it's going to be a</p> <p>6 continuing -- a continuing issue, it only</p> <p>7 becomes an issue if there are expenditures</p> <p>8 outside of what has been projected in the</p> <p>9 plan. So . . .</p> <p>10 BY MR. SMITH:</p> <p>11 Q. Are there risks under the plan that the</p> <p>12 pension obligations will adversely affect the</p> <p>13 fiscal health of the City?</p> <p>14 A. Risks that the existing pension</p> <p>15 obligations --</p> <p>16 Q. -- will adversely affect the health of</p> <p>17 the City in the future?</p> <p>18 A. The obligations themselves, the City</p> <p>19 will have to -- will have to fund those</p> <p>20 obligations. There are, as I said before, there</p> <p>21 are risks associated with the plan. There's</p> <p>22 always a risk of revenues not materializing when</p> <p>23 you expect them to materialize. There's always a</p> <p>24 risk of expenditures being greater than what's</p> <p>25 planned.</p>
<p style="text-align: right;">Page 118</p> <p>1 JOHN W. HILL</p> <p>2 don't -- I can't do that.</p> <p>3 Q. You can't represent to the Court that</p> <p>4 the City won't be back in bankruptcy again within</p> <p>5 the next 10 years, can you?</p> <p>6 A. No, although I -- I'm not a lawyer.</p> <p>7 And -- I'm not a lawyer, but no, I can't.</p> <p>8 Q. And after the plan is confirmed, the</p> <p>9 City is still going to have significant pension</p> <p>10 liabilities; correct?</p> <p>11 A. Yes.</p> <p>12 Q. And after the plan, are the largest</p> <p>13 liabilities of the City going to be its pension</p> <p>14 liabilities?</p> <p>15 A. The pension liabilities will be a</p> <p>16 large -- a large part of the liabilities for</p> <p>17 the -- yeah.</p> <p>18 Q. And the pension liabilities after the</p> <p>19 plan is confirmed are continuing -- they're going</p> <p>20 to be a continuing concern in terms of the City's</p> <p>21 fiscal health; correct?</p> <p>22 MR. STEWART: Objection.</p> <p>23 THE WITNESS: I'll go back to the answer</p> <p>24 I gave before: The plan anticipates pension</p> <p>25 obligation -- pension liabilities and paying</p>	<p style="text-align: right;">Page 120</p> <p>1 JOHN W. HILL</p> <p>2 So to single out any one item, it's very</p> <p>3 difficult to do. But what I do know is that under</p> <p>4 the plan, the risk of pension obligations is less</p> <p>5 than it was, in terms of the financial health of</p> <p>6 the City, than it was prior to the plan.</p> <p>7 Q. There continues to be a risk to the</p> <p>8 financial health of the City from the pension</p> <p>9 obligations after the plan is confirmed; correct?</p> <p>10 MR. BARNOWSKI: Object to the form.</p> <p>11 THE WITNESS: I think I've already</p> <p>12 answered it in a number of different ways.</p> <p>13 So can we stand on that answer?</p> <p>14 BY MR. SMITH:</p> <p>15 Q. Well, you just mentioned that the risk</p> <p>16 is reduced, right, in your view? The risk -- the</p> <p>17 risk from the pension obligations to the financial</p> <p>18 health of the City you believe is reduced;</p> <p>19 correct?</p> <p>20 A. Yes -- yeah.</p> <p>21 Q. But you agree that the risk did not</p> <p>22 disappear, correct, under the plan?</p> <p>23 A. No.</p> <p>24 Q. So there remains a risk from the pension</p> <p>25 obligations to the financial health of the City</p>

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<p style="text-align: right;">Page 121</p> <p>1 JOHN W. HILL</p> <p>2 after confirmation; correct?</p> <p>3 MR. BARNOWSKI: Object to form.</p> <p>4 A. As I've said before, any expenditure in</p> <p>5 the plan could come in greater than was</p> <p>6 anticipated in the plan. That's the nature of the</p> <p>7 plan.</p> <p>8 So is there a risk? Yes, there's a</p> <p>9 risk; but it's all going to be in the context of</p> <p>10 what happens on the revenue side as well.</p> <p>11 So whether that has an impact on the</p> <p>12 financial health of the City, that's the piece I</p> <p>13 can't -- I can't connect to what you're laying</p> <p>14 out.</p> <p>15 I don't know.</p> <p>16 I do know that the plan anticipates the</p> <p>17 obligations that the City will have under the</p> <p>18 new -- the obligations that it projects the City</p> <p>19 will have under the new agreements with the unions</p> <p>20 and that there are revenues that are in the plan</p> <p>21 that are sufficient to meet those obligations as</p> <p>22 projected.</p> <p>23 So, again, it's all in the context of</p> <p>24 the total plan.</p> <p>25 Q. What things could change after</p>	<p style="text-align: right;">Page 123</p> <p>1 JOHN W. HILL</p> <p>2 Q. The pension costs could increase over</p> <p>3 time beyond what's projected in plan; is that</p> <p>4 correct?</p> <p>5 MR. BARNOWSKI: Object to form.</p> <p>6 THE WITNESS: As I said, any expenditure</p> <p>7 could. That's the nature of a plan. It's</p> <p>8 not certainty. It's the nature of the plan.</p> <p>9 BY MR. SMITH:</p> <p>10 Q. And you can give the Court no guarantee</p> <p>11 that the projected revenues and costs that the</p> <p>12 City has provided are going to be accurate;</p> <p>13 correct?</p> <p>14 MR. STEWART: Objection.</p> <p>15 THE WITNESS: Can you define "accurate."</p> <p>16 BY MR. SMITH:</p> <p>17 Q. Will actually reflect actual values.</p> <p>18 You can't give -- you can't tell the</p> <p>19 Court that the projected values the City is giving</p> <p>20 it will actually represent the actual values that</p> <p>21 are going to be achieved in the future; correct?</p> <p>22 A. I can say whether it's reasonable, but I</p> <p>23 can't say whether it's-- I can't tell the future.</p> <p>24 Q. So you can't say that they're going to</p> <p>25 be accurate; correct?</p>
<p style="text-align: right;">Page 122</p> <p>1 JOHN W. HILL</p> <p>2 confirmation that would increase the adverse</p> <p>3 effect of pension obligations on the City?</p> <p>4 A. Let me answer the part of your question</p> <p>5 that I -- that I agree with.</p> <p>6 I haven't agreed that there's an adverse</p> <p>7 effect of pension obligations on the City.</p> <p>8 But -- so I don't agree with that piece</p> <p>9 of your question. I do believe that other</p> <p>10 expenditures that could happen -- the financial</p> <p>11 management system, we could go out and propose on</p> <p>12 a financial management system and it ends up</p> <p>13 costing more than we've projected in the plan.</p> <p>14 So the real question is, will any of</p> <p>15 those items be in excess of the contingencies that</p> <p>16 are embedded in the plan?</p> <p>17 So I would have to know that in order</p> <p>18 to -- I have to know the magnitude of the</p> <p>19 differences.</p> <p>20 Q. How could the costs of the pension</p> <p>21 obligations increase in the future?</p> <p>22 A. There's a ceiling on some of the pension</p> <p>23 obligations, but I'd have to look at the -- the</p> <p>24 specific contract again to give you a detailed</p> <p>25 answer.</p>	<p style="text-align: right;">Page 124</p> <p>1 JOHN W. HILL</p> <p>2 MR. STEWART: Objection. Go ahead, I'm</p> <p>3 sorry. I didn't mean to interrupt you.</p> <p>4 THE WITNESS: I can say that -- I can't</p> <p>5 say that the exact numbers that are in the</p> <p>6 plan are going to come in exactly as the plan</p> <p>7 has them.</p> <p>8 I can say that it's -- that it's --</p> <p>9 based on the projections, it's reasonable to</p> <p>10 expect that the plan in its totality can move</p> <p>11 forward in the way that it's currently</p> <p>12 constructed.</p> <p>13 There are risks, and I've admitted that</p> <p>14 clearly there are risks. And we're doing</p> <p>15 everything we can to mitigate the risk of</p> <p>16 implementation in the plan.</p> <p>17 BY MR. SMITH:</p> <p>18 Q. And when you say that the forecasts are</p> <p>19 reasonable. Are there other forecasts that could</p> <p>20 give different numbers that would also be</p> <p>21 reasonable?</p> <p>22 A. I don't know of any.</p> <p>23 Q. When you say "the forecasts are</p> <p>24 reasonable," what methodology are you basing that</p> <p>25 on?</p>

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<p style="text-align: right;">Page 125</p> <p>1 JOHN W. HILL</p> <p>2 A. I'm -- for the first -- for the first</p> <p>3 few years of the plan, I'm basing the</p> <p>4 reasonableness of the forecast of the revenues on</p> <p>5 the revenue estimation report and the work that</p> <p>6 was done that showed that the revenues that we</p> <p>7 were projecting came to within about 1 percent of</p> <p>8 the revenues that Ernst & Young had projected.</p> <p>9 And then the other forecast in the plan,</p> <p>10 I'm relying on information from E&Y as an expert</p> <p>11 and also Conway MacKenzie in terms of</p> <p>12 restructuring.</p> <p>13 Q. Have people at the City expressed</p> <p>14 criticisms or concerns about the plan?</p> <p>15 MR. STEWART: Objection.</p> <p>16 THE WITNESS: People at the City?</p> <p>17 BY MR. SMITH:</p> <p>18 Q. Yeah. I mean, there must have been</p> <p>19 discussions about the plan within the City,</p> <p>20 officials; correct?</p> <p>21 A. Sure, there have been discussions.</p> <p>22 Q. Have there been criticisms or concerns</p> <p>23 of the plan that have been expressed in</p> <p>24 discussions amongst City officials?</p> <p>25 A. There have been explorations of various</p>	<p style="text-align: right;">Page 127</p> <p>1 JOHN W. HILL</p> <p>2 A. Certain aspects of the plan have been</p> <p>3 probed by City officials, yeah.</p> <p>4 Q. What aspects of the plan?</p> <p>5 A. One of them was the -- an earlier plan,</p> <p>6 whether or not the subsidy number for the bus --</p> <p>7 for Department of Transportation was an accurate</p> <p>8 number. And that was looked at, and the subsidy</p> <p>9 was increased as a result.</p> <p>10 So the plan is and will -- the plan is a</p> <p>11 living -- has been a living document that gets</p> <p>12 reviewed and gets questioned internally,</p> <p>13 especially now that we're moving into an</p> <p>14 implementation phase. And so I would -- whether</p> <p>15 that's a criticism, it was an observation and then</p> <p>16 a change that occurred as a result.</p> <p>17 Q. When did you start planning for</p> <p>18 implementation of the plan?</p> <p>19 A. I've been planning for it since I got</p> <p>20 there.</p> <p>21 Q. And that would be in November 2013?</p> <p>22 A. Yeah.</p> <p>23 Q. You just have to audibly give an answer.</p> <p>24 A. Yeah, that's my -- that's my -- if you</p> <p>25 want to count the work that I did from a</p>
<p style="text-align: right;">Page 126</p> <p>1 JOHN W. HILL</p> <p>2 parts of the plan by City officials, absolutely.</p> <p>3 Q. What concerns have been expressed by</p> <p>4 City officials with respect to the plan?</p> <p>5 A. The plan as a whole?</p> <p>6 Q. Or any aspect of the plan.</p> <p>7 A. You know, there have been a number of</p> <p>8 detailed meetings with the Mayor and the Mayor's</p> <p>9 staff around the plan implementation. I think</p> <p>10 initially there were some misunderstandings by</p> <p>11 some of the department directors about what the</p> <p>12 initiatives really entailed, even though a number</p> <p>13 of them were involved in the construction of the</p> <p>14 initiatives.</p> <p>15 And so I think it's a natural process of</p> <p>16 shifting from having a plan to implementing a</p> <p>17 plan, which is different than constructing it.</p> <p>18 So I believe there have been -- there's</p> <p>19 been probing of various aspects of the plan in</p> <p>20 these meetings.</p> <p>21 I wouldn't say general criticism of the</p> <p>22 plan. I would say probing around certain aspects</p> <p>23 of the plan.</p> <p>24 Q. Have there been criticisms of specific</p> <p>25 aspects of the plan by City officials?</p>	<p style="text-align: right;">Page 128</p> <p>1 JOHN W. HILL</p> <p>2 consulting standpoint for grants management, that</p> <p>3 was a part of the plan as well; so even during</p> <p>4 that period of time.</p> <p>5 Q. Have there been any reviews of the</p> <p>6 Ernst & Young forecasts that have been done?</p> <p>7 A. Can you define "reviews."</p> <p>8 Q. Like any comment -- any written comments</p> <p>9 or evaluations of the Ernst & Young forecasts that</p> <p>10 have been done.</p> <p>11 A. I know that there are a number of</p> <p>12 reviews of the forecasts that have occurred, so a</p> <p>13 lot of people have looked at it.</p> <p>14 Q. Like who? Who has produced written</p> <p>15 reviews of the Ernst & Young forecast?</p> <p>16 A. Written reviews?</p> <p>17 Q. Yeah.</p> <p>18 A. I haven't -- I haven't seen any written</p> <p>19 reviews of the forecast. I don't -- yeah. I</p> <p>20 haven't seen any written reviews.</p> <p>21 Q. If you look at your report, you attach a</p> <p>22 revenue conference report dated March 18, 2004, as</p> <p>23 Exhibit 1.</p> <p>24 A. Yes.</p> <p>25 Q. It you turn to Page 1 of that document,</p>

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<p style="text-align: right;">Page 129</p> <p>1 JOHN W. HILL</p> <p>2 it says in the middle, "The City income tax and</p> <p>3 wagering tax would be particularly susceptible,</p> <p>4 both positively and negatively, to changing</p> <p>5 economic conditions."</p> <p>6 Do you see that statement?</p> <p>7 A. Uh-huh.</p> <p>8 Q. Do you agree with that statement?</p> <p>9 A. Yes.</p> <p>10 Q. So if the economy improves, the income</p> <p>11 tax and wagering tax could go up a lot. And,</p> <p>12 conversely, if the economy gets worse, the income</p> <p>13 tax and wagering tax could go down a lot; is that</p> <p>14 correct?</p> <p>15 A. You'd have to define "a lot" for me.</p> <p>16 But there could be a change as a result of</p> <p>17 economic conditions. I agree with that.</p> <p>18 Q. And the income tax and wagering tax are</p> <p>19 particularly responsive to economic conditions; is</p> <p>20 that fair?</p> <p>21 A. That is one of the factors that they're</p> <p>22 responsive to. There are several others. Yeah.</p> <p>23 Q. On Page 1 it says also that employment</p> <p>24 conditions to slowly improve.</p> <p>25 Do you see that?</p>	<p style="text-align: right;">Page 131</p> <p>1 JOHN W. HILL</p> <p>2 that -- and people who are expats to come into the</p> <p>3 city to be able to either start a business or live</p> <p>4 within the city.</p> <p>5 There are tax incentives that would</p> <p>6 support -- having businesses support and locate in</p> <p>7 certain parts of the city; renaissance zones, if</p> <p>8 you will.</p> <p>9 So there are a number of visits that the</p> <p>10 Mayor and others make to either other cities or</p> <p>11 other places where business is looking for a place</p> <p>12 to come.</p> <p>13 So, yeah, those activities are</p> <p>14 occurring.</p> <p>15 Q. And has the City been successful in</p> <p>16 attracting business to the city in recent years?</p> <p>17 A. I know of some businesses that have come</p> <p>18 into the city, yes.</p> <p>19 Q. And so would you say that the City's</p> <p>20 efforts have been successful in attracting</p> <p>21 business to the city in the last few years?</p> <p>22 A. I would say that businesses have come</p> <p>23 into the city in the last -- in the last few</p> <p>24 years. Whether that's a result of the activities</p> <p>25 or general economic climates, I'm not sure. I</p>
<p style="text-align: right;">Page 130</p> <p>1 JOHN W. HILL</p> <p>2 A. Yes.</p> <p>3 Q. Do you agree that the employment</p> <p>4 conditions are improving in the city already?</p> <p>5 A. Yes, they are.</p> <p>6 Q. And do you agree that the economy is</p> <p>7 improving in the city already?</p> <p>8 A. I agree that there are signs.</p> <p>9 Q. And do you agree that the City is in a</p> <p>10 period of recovery after the recession?</p> <p>11 A. Are you pointing to a specific place in</p> <p>12 the report?</p> <p>13 Q. No, no. Just in general. Is the City</p> <p>14 in a recovery phase after the recession that</p> <p>15 occurred?</p> <p>16 A. One of the -- yes, but -- yes.</p> <p>17 Q. And does the City of Detroit continue on</p> <p>18 an ongoing basis to make efforts to attract</p> <p>19 businesses to the City and improve the economy?</p> <p>20 A. Yes.</p> <p>21 Q. What kinds of activities is the City</p> <p>22 involved in now to attract businesses to the City?</p> <p>23 A. Offering space for businesses to operate</p> <p>24 in conjunction with the State; offering</p> <p>25 opportunities for businesses to -- businesses</p>	<p style="text-align: right;">Page 132</p> <p>1 JOHN W. HILL</p> <p>2 haven't done a study.</p> <p>3 Q. There's been an increase in business in</p> <p>4 the city in the last few years as a result of</p> <p>5 either the City's actions or the economy in the</p> <p>6 city or other factors; is that correct?</p> <p>7 MR. STEWART: Objection.</p> <p>8 THE WITNESS: Again, I'd have to know --</p> <p>9 the "other factors" piece. I would say there</p> <p>10 has been an increase in businesses coming</p> <p>11 into the city, yes.</p> <p>12 BY MR. SMITH:</p> <p>13 Q. What do you attribute the increase in</p> <p>14 businesses coming into the city in the last few</p> <p>15 years to?</p> <p>16 A. I couldn't tell you the specifics for</p> <p>17 each business; but -- yeah. I couldn't tell you</p> <p>18 the specifics for each business.</p> <p>19 Q. Is Detroit actively promoting itself to</p> <p>20 businesses to try to attract new businesses to</p> <p>21 come into the city?</p> <p>22 A. Yeah.</p> <p>23 MR. STEWART: Objection.</p> <p>24 THE WITNESS: Detroit is actively</p> <p>25 promoting itself, yes.</p>

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<p style="text-align: right;">Page 133</p> <p>1 JOHN W. HILL</p> <p>2 BY MR. SMITH:</p> <p>3 Q. What kind of activities does the City</p> <p>4 engage in to actively promote itself to have new</p> <p>5 businesses come into the city?</p> <p>6 A. There are ads. There are trips. There</p> <p>7 are groups of business leaders that are involved</p> <p>8 in helping to bring business to the city. So</p> <p>9 there are all kinds of -- all kinds of activities.</p> <p>10 Q. Is part of your job to help attract</p> <p>11 business to -- new businesses to the city on an</p> <p>12 ongoing basis?</p> <p>13 A. That's not something that has been</p> <p>14 spelled out as part of my job, but I would</p> <p>15 certainly work with anyone who is trying to do</p> <p>16 that.</p> <p>17 Q. I mean, does the City have plans to</p> <p>18 increase the level of effort and actively in</p> <p>19 trying to attract new businesses to the city?</p> <p>20 A. Yes. The Mayor has plans to do that.</p> <p>21 Yes.</p> <p>22 Q. What kind of plans? If you know</p> <p>23 specifics.</p> <p>24 A. Certainly plans -- well, I know that</p> <p>25 there are -- that the Mayor has plans. The</p>	<p style="text-align: right;">Page 135</p> <p>1 JOHN W. HILL</p> <p>2 for it to change, either the factors of the</p> <p>3 formula have to change or the State has to make a</p> <p>4 change in its -- in what it's sharing.</p> <p>5 Q. Do you agree that nobody can predict</p> <p>6 what state revenue sharing will be over the next</p> <p>7 ten years, because it is subject to this political</p> <p>8 process?</p> <p>9 A. I believe you can forecast it. To know</p> <p>10 what it's going to be, no.</p> <p>11 Q. Yeah.</p> <p>12 I mean, have you been involved in</p> <p>13 discussions with the State about revenue sharing?</p> <p>14 A. I have not.</p> <p>15 Q. Who typically is involved in those</p> <p>16 discussions?</p> <p>17 A. I can only speculate who would be</p> <p>18 typically involved in the discussions.</p> <p>19 Q. Okay. Do you agree that the City</p> <p>20 continues active efforts to try to get the State</p> <p>21 to increase revenue sharing?</p> <p>22 A. I believe that the City is in</p> <p>23 discussion -- well, I know that the City is in</p> <p>24 discussion with the State around a number of</p> <p>25 different possible increases in revenue. And as I</p>
<p style="text-align: right;">Page 134</p> <p>1 JOHN W. HILL</p> <p>2 specific plans I couldn't give you.</p> <p>3 Q. Down at the bottom of Page 2 of this</p> <p>4 revenue conference report we're looking at, it</p> <p>5 says that the initial projection for fiscal year</p> <p>6 2016 reflects continued growth in income tax and</p> <p>7 state revenue sharing collections.</p> <p>8 Do you see that?</p> <p>9 MR. STEWART: Hold on. I'm missing it.</p> <p>10 Is this at the bottom?</p> <p>11 MR. SMITH: The bottom of Page 2.</p> <p>12 MR. STEWART: I see.</p> <p>13 MR. SMITH: You got it?</p> <p>14 MR. STEWART: I got it, yeah.</p> <p>15 THE WITNESS: Yes.</p> <p>16 BY MR. SMITH:</p> <p>17 Q. Would you agree that -- that income tax</p> <p>18 and state revenue sharing collections should be</p> <p>19 increasing in future years?</p> <p>20 A. Again, it's over what time period? At</p> <p>21 some time in the future, those two sources of</p> <p>22 revenue should increase.</p> <p>23 The State revenue sharing is a function</p> <p>24 of a formula and also a function of State</p> <p>25 legislation. So those are things that, in order</p>	<p style="text-align: right;">Page 136</p> <p>1 JOHN W. HILL</p> <p>2 said before, that's what every City does with its</p> <p>3 State. So yes, that does occur.</p> <p>4 Q. And the -- have you also heard people at</p> <p>5 the City blame the City's fiscal situation on</p> <p>6 decreases in revenue sharing from the State in</p> <p>7 recent years?</p> <p>8 A. I've never heard that said. It's never</p> <p>9 been said to me.</p> <p>10 Q. Are you aware there has been a</p> <p>11 significant decrease in revenue sharing in recent</p> <p>12 years?</p> <p>13 A. I know there's been a decrease in</p> <p>14 revenue sharing, yes.</p> <p>15 Q. And you know that there are other cities</p> <p>16 in the state that are under emergency managers;</p> <p>17 correct?</p> <p>18 A. Yes, I know that.</p> <p>19 Q. There are a number of states in Michigan</p> <p>20 facing fiscal distress; correct?</p> <p>21 A. States in Michigan?</p> <p>22 Q. There's a number of cities in the State</p> <p>23 of Michigan that are facing fiscal crisis;</p> <p>24 correct?</p> <p>25 A. There are a number of cities under</p>

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<p style="text-align: right;">Page 137</p> <p>1 JOHN W. HILL</p> <p>2 emergency management, yes. Yeah, absolutely.</p> <p>3 Q. The -- if you look at Page 5 of the</p> <p>4 consensus report, there's a section on wagering</p> <p>5 taxes. Do you see that?</p> <p>6 A. Yes.</p> <p>7 Q. At the end of that section it says "The</p> <p>8 turnaround is expected in fiscal year 2016 with</p> <p>9 the consensus projecting 1.5 percent growth in</p> <p>10 wagering tax revenues."</p> <p>11 Do you see that?</p> <p>12 A. Yes.</p> <p>13 Q. Is that a reasonable projection?</p> <p>14 A. I believe that it is.</p> <p>15 Q. Okay. Do you agree that everyone</p> <p>16 participating in the consensus conference used</p> <p>17 different methodologies to estimate revenues?</p> <p>18 A. Yes.</p> <p>19 Q. Is there a reason that the consensus</p> <p>20 conference doesn't estimate or forecast</p> <p>21 expenditures?</p> <p>22 A. Because it's a revenue estimation</p> <p>23 conference.</p> <p>24 Q. Okay. The -- on Page 11 of the</p> <p>25 document, there's a section on potential upward</p>	<p style="text-align: right;">Page 139</p> <p>1 JOHN W. HILL</p> <p>2 restructuring initiatives in the plan, so you'd</p> <p>3 have to implement those strategies in order to</p> <p>4 increase the collections.</p> <p>5 The way -- so the way it's constructed</p> <p>6 there in the plan, there are additional -- there</p> <p>7 are initiatives that would have additional revenue</p> <p>8 associated with them for collection of</p> <p>9 receivables.</p> <p>10 Q. And does the plan assume that the City</p> <p>11 will obtain piggybacking of tax collections from</p> <p>12 the State?</p> <p>13 A. I don't remember if that piece is</p> <p>14 actually in the plan or whether it came after. I</p> <p>15 can't say --</p> <p>16 Q. Okay.</p> <p>17 A. -- offhand. But there is an effort</p> <p>18 underway to have a piggyback effort with the</p> <p>19 State.</p> <p>20 Q. Okay. And what's the status of the</p> <p>21 City's efforts to have the State piggyback tax</p> <p>22 collection for the City on its State return?</p> <p>23 A. There's agreement in concept. We have</p> <p>24 started -- the potential forms that could be used</p> <p>25 have been discussed, and so there's planning for</p>
<p style="text-align: right;">Page 138</p> <p>1 JOHN W. HILL</p> <p>2 adjustments to forecasts.</p> <p>3 Do you see that?</p> <p>4 A. Yes.</p> <p>5 Q. "The consensus conference concluded that</p> <p>6 ongoing improvements in collection efforts in</p> <p>7 fiscal year 2013 should net additional income tax</p> <p>8 revenues not currently reflected in the consensus</p> <p>9 estimates."</p> <p>10 Do you see that?</p> <p>11 A. These -- yeah. But this is -- this is</p> <p>12 in context of the risk to the forecast, things</p> <p>13 that could happen on either side of the forecast.</p> <p>14 And so it wasn't a conclusion that this would</p> <p>15 happen. It's that this is a risk and a</p> <p>16 possibility.</p> <p>17 Q. Okay.</p> <p>18 A. That's --</p> <p>19 Q. And do you -- well, do you agree that</p> <p>20 the income tax collections could well improve more</p> <p>21 than is forecasted in any of the forecasts?</p> <p>22 A. Well, there are -- there are dollars in</p> <p>23 the plan associated with improving collections of</p> <p>24 taxes. They're not in the projected revenues of</p> <p>25 the plan, but they're in the con -- they're in the</p>	<p style="text-align: right;">Page 140</p> <p>1 JOHN W. HILL</p> <p>2 implementation.</p> <p>3 Q. Okay. So people are involved in</p> <p>4 drafting the actual forms that would be used for</p> <p>5 piggybacking the tax?</p> <p>6 A. Yes.</p> <p>7 Q. And have there been revisions back and</p> <p>8 forth with those forms already?</p> <p>9 A. Yes.</p> <p>10 Q. And when do you contemplate that that</p> <p>11 will be set up, the piggybacking of the tax?</p> <p>12 A. It's -- it's the taxes that are -- the</p> <p>13 returns that are done in -- I think it's 2016 --</p> <p>14 that are for the 2015 tax year. But I have to --</p> <p>15 I'm within a year or so of the actual date. But</p> <p>16 it's within the next two to three years.</p> <p>17 Q. Okay. And piggybacking the tax</p> <p>18 collection should increase income tax revenues for</p> <p>19 the City; correct?</p> <p>20 A. That's the hope, yes.</p> <p>21 Q. And when you piggyback the tax</p> <p>22 collections with the State, does that mean that</p> <p>23 the City income tax will then be withheld by</p> <p>24 employers? Or how does that work? Maybe you can</p> <p>25 explain --</p>

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<p style="text-align: right;">Page 141</p> <p>1 JOHN W. HILL</p> <p>2 A. No, not necessarily.</p> <p>3 Q. Can you explain what piggybacking the</p> <p>4 tax collections means?</p> <p>5 A. It means that any separate form by the</p> <p>6 City for income taxes would go away and that that</p> <p>7 would be a schedule for computing taxes on your</p> <p>8 State return. And so you would pay your Detroit</p> <p>9 taxes when you pay your State taxes.</p> <p>10 Q. And how does that help to improve tax</p> <p>11 collections for the City?</p> <p>12 A. It could identify non-filers, because</p> <p>13 anyone who has a Detroit address would also then</p> <p>14 be expected to file a return for Detroit.</p> <p>15 And then the State's collection efforts,</p> <p>16 meaning that any withholding that occurs, whether</p> <p>17 it's from the State or from City, could be used to</p> <p>18 support the payment of the city taxes as well.</p> <p>19 Q. Okay. So --</p> <p>20 A. It comes down to one liability.</p> <p>21 Q. So under the piggybacking proposal,</p> <p>22 there would be withholding of money that would be</p> <p>23 available to pay the City income tax; is that</p> <p>24 correct?</p> <p>25 MR. STEWART: Objection.</p>	<p style="text-align: right;">Page 143</p> <p>1 JOHN W. HILL</p> <p>2 \$140 million was being lost by the City in income</p> <p>3 tax revenue because people who lived in the city</p> <p>4 but worked outside the city weren't paying the</p> <p>5 tax; correct?</p> <p>6 A. I'd have to look at that study again to</p> <p>7 see if that number is correct. But yeah, I'd have</p> <p>8 to look at it again.</p> <p>9 Q. I mean, what are the numbers you've seen</p> <p>10 in terms of revenue losses for reverse commuters</p> <p>11 who don't pay the taxes?</p> <p>12 A. I haven't -- I haven't seen -- you know,</p> <p>13 I've seen revenue numbers as a part of the</p> <p>14 MacKenzie report. I just don't remember the exact</p> <p>15 number that was in the report.</p> <p>16 Q. You do remember it was tens of millions</p> <p>17 of dollars that was being lost as a result of</p> <p>18 reverse commuters not paying taxes?</p> <p>19 A. I remember that there was a potential</p> <p>20 for, I'll say, millions of dollars in</p> <p>21 noncompliant -- noncompliance with the City's tax</p> <p>22 rules.</p> <p>23 Q. Is there any legislative change that</p> <p>24 needs to be done to accomplish piggybacking, or is</p> <p>25 that just something that the State will do</p>
<p style="text-align: right;">Page 142</p> <p>1 JOHN W. HILL</p> <p>2 THE WITNESS: It's not completely</p> <p>3 accurate.</p> <p>4 BY MR. SMITH:</p> <p>5 Q. Okay. Maybe you can explain to me how</p> <p>6 piggybacking makes money available to pay the City</p> <p>7 income tax.</p> <p>8 A. It is a consolidated return. So the two</p> <p>9 ways that it could help -- and there may be</p> <p>10 others. The two ways that it would help would be</p> <p>11 you'd be able to identify people who live in</p> <p>12 Detroit who aren't filing a City return but yet</p> <p>13 they're filing a State return, so non-filers.</p> <p>14 Ask then you'd also, since it's one</p> <p>15 number and one check on the return, then you'd be</p> <p>16 able to offset any withholdings above and -- any</p> <p>17 withholdings against the amount that's remitted to</p> <p>18 the State. So it's those two --</p> <p>19 Q. And there are numerous people who were</p> <p>20 living in Detroit and working outside of Detroit</p> <p>21 who aren't paying the City income tax; correct?</p> <p>22 A. I don't know the actual number, but the</p> <p>23 projection's that there are some.</p> <p>24 Q. And there's been a study by MacKenzie</p> <p>25 that was indicating that it was as much as</p>	<p style="text-align: right;">Page 144</p> <p>1 JOHN W. HILL</p> <p>2 administratively?</p> <p>3 A. I don't know the specifics of how it</p> <p>4 would be actually implemented. I'd have to only</p> <p>5 assume. But they're lawyers that are working on</p> <p>6 that. I'm not a lawyer.</p> <p>7 Q. The State has agreed to do the</p> <p>8 piggybacking; is that fair to say?</p> <p>9 A. Yes. There has been agreement to move</p> <p>10 forward and get -- try to get to implementation.</p> <p>11 Q. And the Governor and the emergency</p> <p>12 manager both recognize that piggybacking is an</p> <p>13 important way to increase revenues for the City of</p> <p>14 Detroit; correct?</p> <p>15 MR. STEWART: Objection.</p> <p>16 THE WITNESS: Yeah. I don't -- I don't</p> <p>17 know what -- what the Governor's -- what's in</p> <p>18 the Governor's mind. I do know that it's an</p> <p>19 initiative that is being supported by the</p> <p>20 emergency manager.</p> <p>21 BY MR. SMITH:</p> <p>22 Q. Okay. The emergency manager recognizes</p> <p>23 that piggybacking is an important mechanism for</p> <p>24 increasing revenues available to the City of</p> <p>25 Detroit; correct?</p>

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<p style="text-align: right;">Page 145</p> <p>1 JOHN W. HILL</p> <p>2 A. It is one way to help increase revenues</p> <p>3 to the City. There's no -- yes. But when you say</p> <p>4 "important," it puts it in relationship to other</p> <p>5 things. But the -- yes. It's -- it's a way to</p> <p>6 help improve tax compliance and tax collection</p> <p>7 which would consequently improve revenues.</p> <p>8 Q. Can you identify any revenue initiative</p> <p>9 that's in the stages of being planned that's more</p> <p>10 important in terms of the dollar amounts to the</p> <p>11 City, the incremental dollar amounts, than</p> <p>12 piggybacking the tax?</p> <p>13 A. Yeah. If you look at the -- the Plan of</p> <p>14 Adjustment has a number of initiatives that are</p> <p>15 expected to improve revenue that would be higher</p> <p>16 at least in the plan than you would expect from</p> <p>17 the piggyback tax.</p> <p>18 Q. Outside of the Plan of Adjustment,</p> <p>19 though, can you identify any initiative that's</p> <p>20 projected to bring more revenue into the City than</p> <p>21 piggybacking tax collections?</p> <p>22 A. There is one other initiative that we've</p> <p>23 talked about, which we're still in conversation</p> <p>24 with the State about, which is the -- the</p> <p>25 withholding, requiring any employer to withhold</p>	<p style="text-align: right;">Page 147</p> <p>1 JOHN W. HILL</p> <p>2 don't know who is talking to whom about it right</p> <p>3 now at this moment.</p> <p>4 Q. But you know that there are ongoing</p> <p>5 discussions to try to get a withholding of the</p> <p>6 City income tax; is that correct?</p> <p>7 A. I know that that's something the City</p> <p>8 would like to have done, yes.</p> <p>9 Q. And the City is lobbying the State to</p> <p>10 withhold the City income tax because it would</p> <p>11 increase City income tax revenue; correct?</p> <p>12 MR. STEWART: Objection.</p> <p>13 THE WITNESS: I don't know exactly what</p> <p>14 lobbying is going on. I just know that there</p> <p>15 are discussions, and who -- who they're</p> <p>16 lobbying, I don't exactly know.</p> <p>17 BY MR. SMITH:</p> <p>18 Q. The City has requested that the State</p> <p>19 withhold the City income tax because it would</p> <p>20 increase revenue to the City; correct?</p> <p>21 A. The State isn't withholding City income</p> <p>22 tax.</p> <p>23 Q. No. Why is the City asking the State to</p> <p>24 withhold City income tax?</p> <p>25 MR. STEWART: Objection.</p>
<p style="text-align: right;">Page 146</p> <p>1 JOHN W. HILL</p> <p>2 taxes for any person working -- to withhold local</p> <p>3 taxes. And so that is also an initiative that</p> <p>4 could result in greater compliance.</p> <p>5 Q. Has the State agreed to implement the</p> <p>6 withholding of taxes?</p> <p>7 A. It's a legislative initiative. So until</p> <p>8 the law has passed, you don't know if the State</p> <p>9 has agreed to it or not.</p> <p>10 Q. Is the Governor supporting a law that</p> <p>11 would require withholding of City income tax?</p> <p>12 A. I know that there are conversations</p> <p>13 about it. I don't know how the Governor is going</p> <p>14 to come down on it.</p> <p>15 Q. What are the ongoing conversations about</p> <p>16 withholding the tax -- the income tax for the City</p> <p>17 of Detroit?</p> <p>18 A. They are at -- there were conversations</p> <p>19 that occurred prior to -- prior to this</p> <p>20 legislation that was put through on the Control</p> <p>21 Board and the CFO. And those were conversations,</p> <p>22 the ones that I'm aware of, are the ones that</p> <p>23 occurred with the Mayor and the Governor and Kevyn</p> <p>24 Orr.</p> <p>25 But beyond that on an ongoing basis, I</p>	<p style="text-align: right;">Page 148</p> <p>1 JOHN W. HILL</p> <p>2 THE WITNESS: The City isn't asking the</p> <p>3 State to withhold income tax.</p> <p>4 BY MR. SMITH:</p> <p>5 Q. The City wants the State to require</p> <p>6 withholding of the City income tax because it</p> <p>7 would generate increased revenue for the City;</p> <p>8 correct?</p> <p>9 A. To -- yes.</p> <p>10 Q. Okay. The -- has the City asked the</p> <p>11 State to increase income tax rates?</p> <p>12 A. I know of no discussions about</p> <p>13 increasing income tax rates. I don't know that --</p> <p>14 I don't know of any discussions about that.</p> <p>15 Q. And has the City asked the State to --</p> <p>16 the City did have -- there was an increase in the</p> <p>17 corporate tax rate; is that correct?</p> <p>18 A. I'd have to go back to my -- to the</p> <p>19 rates and actually look at it; but yes, I believe</p> <p>20 there was.</p> <p>21 Q. And why was there an increase to the</p> <p>22 corporate tax rate?</p> <p>23 A. Again, I'd have to -- I'd have to look</p> <p>24 at that specific one in my documents. I couldn't</p> <p>25 tell you offhand.</p>

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1 **JOHN W. HILL**

2 Q. Is the City, on an ongoing basis, asking
3 the State to increase any tax rates?

4 **A. I don't -- I know of no discussions with
5 the State about increasing taxes.**

6 Q. Okay. Has the City asked the State to
7 cooperate in imposing any new taxes?

8 **A. I don't know of any discussions about
9 that.**

10 Q. Has the City had discussions with the
11 State about reducing tax rates?

12 **A. I've not been a party to those
13 discussions if they're occurring.**

14 Q. I mean, would you recommend that,
15 reducing tax rates in the city?

16 **A. You'd have to study it and look at the
17 impact. You know, you'd have to study it and look
18 at the impact.**

19 Q. You haven't done any study looking at
20 the impact of increasing or reducing tax rates in
21 the city; correct?

22 **A. I have not.**

23 Q. And you're not aware of the City --
24 anybody at the City doing that, are you?

25 **A. I'm not aware of any study.**

1 **JOHN W. HILL**

2 Q. There's -- did you refuse to provide the
3 consensus conference with an estimate of accounts
4 receivable?

5 **A. Did I refuse?**

6 Q. Well, I don't mean -- in a pejorative
7 sense, I'm just -- if you look at Page 12 of the
8 conference report, at the top, there's a section
9 on delinquent receivables and it says "For
10 purposes of the revenue estimating conference, the
11 City of Detroit Finance Department Treasury
12 Division has deemed it prudent not to provide an
13 estimate on the collection of delinquent accounts
14 receivable due to the following factors."

15 Do you see that?

16 **A. Yeah. But that was not a refusal.**

17 Q. Okay.

18 **A. It wasn't provided.**

19 Q. And did the consensus conference ask you
20 to provide an estimate about accounts receivable
21 that were outstanding?

22 **A. No one in the consensus conference asked
23 me for that. Whether there were other people
24 within my department that were asked that, I don't
25 know; but no one asked me for that.**

1 **JOHN W. HILL**

2 Q. Okay. I'm just wondering why this
3 section is in the report about accounts
4 receivable, if you know.

5 **A. Yeah. And the section is in the report
6 about -- because accounts receivable right now
7 is -- the records for accounts receivable across
8 the City are in different places. And there are
9 departmental accounts receivable that are managed,
10 and they're not all within the central accounts
11 receivable system.**

12 **That's one of the issues that we're
13 facing in the redesign of our financial management
14 system to make sure that we have centralized
15 control over accounts receivable. And that was --
16 I know that was part of the issue in pulling, you
17 know, this information together.**

18 Q. And as far as you know, no one has tried
19 to tally up all the money that's owed to the City
20 in the accounts receivable spread across the
21 various departments, have they?

22 **A. Sure. I mean, there's -- in the
23 financial statements, there's a number that's
24 consolidated for accounts receivable that's a part
25 of each financial statement, so that is across the**

1 **JOHN W. HILL**

2 **entire City.**

3 Q. And about how much money is owed to the
4 City in the accounts receivable? Would it be
5 hundreds of millions of dollars?

6 **A. I can't tell you that. I'd have to look
7 at the financial statement and give you the
8 number.**

9 Q. I guess what I'm wondering is if it's in
10 the financial statements, you know, why wouldn't
11 you just give the revenue conference the number
12 that's in the financial statements?

13 **A. Because the financial statements -- they
14 have the information that's in the financial
15 statements. But the financial statements -- we're
16 working on the audit for fiscal year 2013.**

17 Q. Oh, yeah.

18 **A. So it's not the current numbers.**

19 Q. Okay. So nobody knows currently how
20 much money the City of Detroit is owed; is that
21 correct?

22 **A. No. That's not correct.**

23 Q. I mean, is there a current sum that
24 anybody has calculated for the amount that the
25 City of Detroit is owed in accounts receivable

<p style="text-align: right;">Page 153</p> <p>1 JOHN W. HILL</p> <p>2 total?</p> <p>3 A. At this given moment? That number comes</p> <p>4 together at the -- comes together as a total at</p> <p>5 the end of the year during the financial audit</p> <p>6 process. So at the end of 2014, which is where we</p> <p>7 are now --</p> <p>8 Q. Yeah.</p> <p>9 A. -- there will be a number for total</p> <p>10 accounts receivable for the City that gets</p> <p>11 included in the 2014 financial audit.</p> <p>12 Q. And then --</p> <p>13 A. So we're working on that number now.</p> <p>14 Q. When will you know that number?</p> <p>15 A. I'd have to go back and check on when</p> <p>16 that number would be available. But it's -- it's</p> <p>17 in various places.</p> <p>18 Q. It won't be available before the plan is</p> <p>19 confirmed or the Bankruptcy Court considers the</p> <p>20 plan; is that correct?</p> <p>21 A. It won't be -- it probably will not be</p> <p>22 audited before that, but there will certainly be a</p> <p>23 draft financial statement before that period.</p> <p>24 Is it break time?</p> <p>25 MR. SMITH: Whenever you want, whenever</p>	<p style="text-align: right;">Page 155</p> <p>1 JOHN W. HILL</p> <p>2 Q. Other than that, though, there's nothing</p> <p>3 that comes in to mind in terms of studies on the</p> <p>4 various --</p> <p>5 A. No.</p> <p>6 Q. -- state taxes -- I mean city taxes,</p> <p>7 rather; correct?</p> <p>8 A. City tax, no, there's no -- there's no</p> <p>9 study that I can think of right now.</p> <p>10 Q. Are any corporations in the city exempt</p> <p>11 from the corporate tax pay reduced rates?</p> <p>12 A. Yes, there are. I couldn't -- I</p> <p>13 couldn't tell you which ones there are in terms</p> <p>14 of --</p> <p>15 Q. Do you know what percent of corporations</p> <p>16 pay the corporate tax in the city?</p> <p>17 A. No, I don't.</p> <p>18 Q. Why are some corporations exempt from</p> <p>19 the corporate tax?</p> <p>20 A. Based on legislation. But I don't -- I</p> <p>21 don't know the specifics of the legislation.</p> <p>22 Q. And I mean, I've seen some reference to</p> <p>23 somebody saying that only two companies actually</p> <p>24 pay a corporate tax in the city. Does that sound</p> <p>25 right or not?</p>
<p style="text-align: right;">Page 154</p> <p>1 JOHN W. HILL</p> <p>2 you say break time.</p> <p>3 THE VIDEOGRAPHER: Going off the record</p> <p>4 at 12:22. This is the end of Tape No. 2.</p> <p>5 (Short break taken.)</p> <p>6 THE VIDEOGRAPHER: Back on the record at</p> <p>7 12:29. This is the beginning of Tape No. 3.</p> <p>8 BY MR. SMITH:</p> <p>9 Q. Mr. Hill, have any -- as far as you're</p> <p>10 aware, have any studies been conducted by the City</p> <p>11 or others on any of the taxes that the City</p> <p>12 collects?</p> <p>13 A. Any studies? Could you -- could you be</p> <p>14 a little more specific.</p> <p>15 Q. Are there any formal studies that the --</p> <p>16 that have been produced on any of the taxes that</p> <p>17 the City collects?</p> <p>18 A. Well, I know that MacKenzie did a -- I</p> <p>19 don't know if that counts as a study. I'm just</p> <p>20 trying to understand what counts as a study.</p> <p>21 Q. MacKenzie did an analysis --</p> <p>22 A. An analysis, yeah.</p> <p>23 Q. -- that indicated that the City could</p> <p>24 raise tax revenue; correct?</p> <p>25 A. Yeah.</p>	<p style="text-align: right;">Page 156</p> <p>1 JOHN W. HILL</p> <p>2 MR. STEWART: Objection.</p> <p>3 THE WITNESS: No, that doesn't sound</p> <p>4 right.</p> <p>5 BY MR. SMITH:</p> <p>6 Q. Do you know what the corporate tax</p> <p>7 collection rate is?</p> <p>8 A. Offhand, no, I don't.</p> <p>9 Q. Are there any documents that --</p> <p>10 A. Yes.</p> <p>11 MR. STEWART: You got to let him finish.</p> <p>12 THE WITNESS: I'm sorry.</p> <p>13 BY MR. SMITH:</p> <p>14 Q. Do you have an idea what it is? Is it</p> <p>15 50 percent or is it higher than that?</p> <p>16 A. I have an idea that it's higher than it</p> <p>17 should -- than -- I don't know the exact number,</p> <p>18 though, offhand. I'd have to look at my</p> <p>19 documents.</p> <p>20 Q. But can you give me an idea of what it</p> <p>21 is? Or do you not really know even what general</p> <p>22 range it's in?</p> <p>23 A. No, I couldn't -- I couldn't tell you.</p> <p>24 Q. Okay. Did the State when it changed --</p> <p>25 did the City and State cooperate together when the</p>

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<p style="text-align: right;">Page 157</p> <p>1 JOHN W. HILL</p> <p>2 corporate tax rate was changed?</p> <p>3 MR. STEWART: Objection.</p> <p>4 THE WITNESS: I don't know -- I mean, I</p> <p>5 would -- I can't assume, but -- I don't know.</p> <p>6 BY MR. SMITH:</p> <p>7 Q. Has the City investigated any new taxes</p> <p>8 it might impose to raise revenue?</p> <p>9 A. I don't know of any -- I don't know of</p> <p>10 any new taxes that the City has investigated.</p> <p>11 Q. And, I mean, do you know one way or the</p> <p>12 other whether the City has investigated new taxes</p> <p>13 it might impose?</p> <p>14 A. I am -- I am not involved in every</p> <p>15 discussion that occurs in the city about taxes.</p> <p>16 So -- so, again, I don't know -- there were none</p> <p>17 that I was involved in.</p> <p>18 Q. But you haven't endeavored to educate</p> <p>19 yourself about matters regarding taxes other than</p> <p>20 what you already know; is that correct? Like in</p> <p>21 preparing for the deposition today, did you try to</p> <p>22 talk to people at the City to collect information</p> <p>23 about taxes and tax policy at the City?</p> <p>24 A. There were a few things that I did talk</p> <p>25 to people about, yes.</p>	<p style="text-align: right;">Page 159</p> <p>1 JOHN W. HILL</p> <p>2 City can't increase tax revenues; correct?</p> <p>3 A. The plan does show tax revenues</p> <p>4 increasing, so no. That would be inconsistent</p> <p>5 with what's in the plan.</p> <p>6 Q. And you're not offering the opinion that</p> <p>7 tax revenues can't be increased even above and</p> <p>8 beyond what's in the plan; correct?</p> <p>9 A. Any increase in taxes would have other</p> <p>10 results, could have other results. Increasing</p> <p>11 taxes don't always result in receiving more</p> <p>12 income. And the City cannot increase taxes beyond</p> <p>13 the statutory rate without getting a change in</p> <p>14 legislation, and so it's not something it can do</p> <p>15 on its own authority.</p> <p>16 Q. The City could increase rates above the</p> <p>17 statutory rate by cooperating with the State,</p> <p>18 correct, to raise the rates?</p> <p>19 A. There it would have to be legislative</p> <p>20 changes.</p> <p>21 Q. And the City -- there are taxes that the</p> <p>22 City could impose that are not dictated by state</p> <p>23 statute; correct?</p> <p>24 A. I don't know which ones those would be.</p> <p>25 Q. You agree the City can certainly impose</p>
<p style="text-align: right;">Page 158</p> <p>1 JOHN W. HILL</p> <p>2 Q. As far as you're aware, has the City</p> <p>3 even investigated imposing new taxes?</p> <p>4 A. I'm not aware of discussions or</p> <p>5 activities around imposing new taxes.</p> <p>6 Q. Do you know whether the City has ever</p> <p>7 investigated a commuter tax?</p> <p>8 A. Objection.</p> <p>9 You're going to have to define "commuter</p> <p>10 tax," because the City does tax people who work in</p> <p>11 the city who don't live in the city. So that</p> <p>12 would be considered a commuter tax.</p> <p>13 Q. Well, as part of the income tax; is that</p> <p>14 correct?</p> <p>15 A. That's part of the income tax.</p> <p>16 Q. Has the City, though, do you know</p> <p>17 whether it has investigated any separate commuter</p> <p>18 tax other than what's in the income tax provisions</p> <p>19 currently?</p> <p>20 A. No, I'm not aware of those discussions.</p> <p>21 Q. Do you know whether the City has looked</p> <p>22 at or investigated increasing any of the tax rates</p> <p>23 in the city?</p> <p>24 A. No.</p> <p>25 Q. You're not offering the opinion that the</p>	<p style="text-align: right;">Page 160</p> <p>1 JOHN W. HILL</p> <p>2 fees without permission from the State; correct?</p> <p>3 A. Yes, I'm aware of that.</p> <p>4 Q. And the City can raise the level of fees</p> <p>5 without permission from the State; correct?</p> <p>6 A. The City could -- yes, that could</p> <p>7 happen.</p> <p>8 Q. And the -- you're not trying to offer</p> <p>9 any opinion that the City couldn't pay creditors,</p> <p>10 such as Syncora, more money than it's planning to</p> <p>11 pay; right?</p> <p>12 A. I'm not -- I'm not -- that's not part of</p> <p>13 what I'm -- you know, I don't -- I don't make any</p> <p>14 of those decisions.</p> <p>15 Q. Okay. The -- did anybody ever come to</p> <p>16 you and ask you, "How could we pay the creditors</p> <p>17 more money?"</p> <p>18 A. There have -- in the construct of the</p> <p>19 plan, there have been discussions in an attempt to</p> <p>20 pay the creditors as much as they could possibly</p> <p>21 be paid. They're, you know, subject to the</p> <p>22 investments that are in the plan that are needed</p> <p>23 to exist.</p> <p>24 And I know from the discussions that</p> <p>25 I've been a part of that there's a real</p>

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1 **JOHN W. HILL**
2 **sensitivity around trying to maximize the amount**
3 **that can go to the creditors; at least those are**
4 **the meetings that I've been a part of. And -- and**
5 **so I just -- I have been in those meetings.**
6 Q. So the City recognizes it has an
7 obligation to maximize the amount of money paid to
8 creditors; correct?
9 MR. STEWART: Objection. The City is
10 putting together a Plan of Adjustment where
11 one of the goals is to provide resources to
12 the creditors. That's one of the goals.
13 BY MR. SMITH:
14 Q. That wasn't my question.
15 The City recognizes it as an obligation
16 to maximize the amount of money it pays to
17 creditors?
18 MR. STEWART: Objection.
19 THE WITNESS: You're going to have to
20 define "maximize." And with the plan, there
21 are a number of different objectives in the
22 plan. And one of the objectives is to
23 provide funding for the creditors.
24 BY MR. SMITH:
25 Q. Why should the City pay creditors as

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1 **JOHN W. HILL**
2 **much as it possibly can?**
3 MR. STEWART: Answer it.
4 I object. Object you're asking for a
5 legal conclusion.
6 Subject to that, you can answer the
7 question.
8 THE WITNESS: As I said, the Plan of
9 Adjustment is constructed to do a number of
10 different things. One of the things the Plan
11 of Adjustment is constructed to do is to
12 provide resources to pay creditors to the
13 extent that it can so that -- and as I said,
14 there are many competing objectives in the
15 plan.
16 BY MR. SMITH:
17 Q. Why do creditors need to be paid as much
18 as they can be?
19 **A. I mean, are you asking for my opinion?**
20 Q. Well, in terms of your work at the City,
21 why is it important to pay creditors as much as
22 can be paid to them?
23 **A. Well, the discussions that I've been in,**
24 **it's -- it's clear that people are not callous**
25 **about owing money. And they're not callous about**

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1 **JOHN W. HILL**
2 **money that has been given to the City for whatever**
3 **reason and the fact that they're now not able to**
4 **pay the total amount that's owed. No one is happy**
5 **about that.**
6 **So there's not -- the way that the plan**
7 **is constructed and the discussions that I've had**
8 **with officials within the City are not about**
9 **providing as little money as possible to the**
10 **creditor. It's a balance of various objectives to**
11 **be sure that the City will be able to operate**
12 **effectively and efficiently. And part of the**
13 **operations, the improvements in the operations of**
14 **the City, are so that there's more money that's**
15 **available to pay creditors.**
16 Q. Do you agree that over the last several
17 years, the income tax rate's been reduced in the
18 city?
19 **A. The maximum that can be charged for**
20 **income tax has been reduced. The State has**
21 **required that income tax be reduced.**
22 Q. Did the City ever lobby the State not to
23 reduce the income tax rate?
24 **A. I don't know.**
25 Q. Over the last several years, you agree

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1 **JOHN W. HILL**
2 **that collection rates have gone down for the**
3 **income and property taxes; correct?**
4 **A. I agree that collection rates are low,**
5 **yes.**
6 Q. And do you agree that in the last few
7 years, collection rates have been higher than they
8 are currently for the income and property taxes?
9 **A. Collection rates are -- have been**
10 **higher.**
11 Q. And Detroit is not yet back to
12 historical rates in terms of collection of
13 property and income tax; correct?
14 **A. Correct.**
15 Q. The City is currently engaged in a
16 variety of measures to try to increase tax
17 collections in the future; correct?
18 **A. Yes.**
19 Q. What kind of efforts?
20 **A. Using outside parties to help to collect**
21 **taxes; also the efforts with the State that we've**
22 **talked about before are efforts that could help to**
23 **collect taxes; and the restructuring of the**
24 **finance function that is related to income tax**
25 **collection. So actually going through that entire**

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<p style="text-align: right;">Page 165</p> <p>1 JOHN W. HILL</p> <p>2 function and creating the detailed work streams</p> <p>3 and hiring the people who will be able to help</p> <p>4 with that.</p> <p>5 Q. And you agree that there are actions the</p> <p>6 City can take unilaterally without cooperating</p> <p>7 with the State to improve tax collections;</p> <p>8 correct?</p> <p>9 A. The actions that are in the plan around</p> <p>10 tax collection are some of those actions that can</p> <p>11 be taken.</p> <p>12 Q. Do you agree that there are many reasons</p> <p>13 that people may be delinquent in paying their</p> <p>14 property taxes, such as believing assessments are</p> <p>15 accurate or believing that services aren't being</p> <p>16 provided or forgetting to pay their back taxes or</p> <p>17 believing that there's a lack of enforcement?</p> <p>18 MR. STEWART: Objection.</p> <p>19 THE WITNESS: You're asking me if I know</p> <p>20 why people weren't paying their taxes. I</p> <p>21 don't specifically know why. I know that</p> <p>22 there are factors that could lead to why</p> <p>23 people are not paying taxes, based on work</p> <p>24 that I've done in other cities.</p> <p>25 BY MR. SMITH:</p>	<p style="text-align: right;">Page 167</p> <p>1 JOHN W. HILL</p> <p>2 property taxes or income taxes, your department?</p> <p>3 A. We're responsible for collection, yes.</p> <p>4 Q. But you haven't -- taken -- undertaken</p> <p>5 any investigation about why people aren't paying</p> <p>6 their taxes at the City of Detroit?</p> <p>7 A. We have looked at the items that we're</p> <p>8 working on in the Plan of Adjustment and have had</p> <p>9 discussions around whether or not those would</p> <p>10 improve tax collection. So the things that we're</p> <p>11 implementing are basic, standard collection</p> <p>12 techniques that should be present in the city.</p> <p>13 Q. But as far as the causes of nonpayment</p> <p>14 of taxes, have you done any investigation into the</p> <p>15 causes of nonpayment of taxes in the city of</p> <p>16 Detroit?</p> <p>17 A. I've not done a study, no.</p> <p>18 Q. Are you aware of anybody at the City who</p> <p>19 has looked into that?</p> <p>20 A. No, I'm not.</p> <p>21 Q. Do you agree that efforts to improve tax</p> <p>22 collection are important because they increase</p> <p>23 revenue for the City?</p> <p>24 A. Yes, I believe they're important.</p> <p>25 Q. And is -- going forward in the future,</p>
<p style="text-align: right;">Page 166</p> <p>1 JOHN W. HILL</p> <p>2 Q. And do you agree that there are many</p> <p>3 factors that could lead people not to pay their</p> <p>4 taxes, including property taxes or income taxes?</p> <p>5 A. Yes.</p> <p>6 Q. And what are some of those factors,</p> <p>7 based on your experience?</p> <p>8 A. I know in the District of Columbia how</p> <p>9 rigorous the compliance efforts were was a factor.</p> <p>10 In the District of Columbia, also, there were --</p> <p>11 the records around tax returns were abysmal. They</p> <p>12 were piled up in a room. They weren't -- so there</p> <p>13 was very little enforcement of tax collection in</p> <p>14 the District before the Control Board came in.</p> <p>15 And so there are many people who didn't pay for</p> <p>16 that reason.</p> <p>17 So there are a number of different</p> <p>18 reasons.</p> <p>19 Q. And is your experience in Detroit</p> <p>20 consistent with what -- your experience in the</p> <p>21 District of Columbia in terms of reasons for</p> <p>22 people not paying their taxes?</p> <p>23 A. I haven't studied the reasons that</p> <p>24 people aren't paying taxes in Detroit.</p> <p>25 Q. Are you responsible for collecting the</p>	<p style="text-align: right;">Page 168</p> <p>1 JOHN W. HILL</p> <p>2 is one of your highest priorities to increase tax</p> <p>3 collections for the City?</p> <p>4 A. It is one of the high priorities, yes.</p> <p>5 Q. Are there exemptions or reductions for</p> <p>6 the property tax in the City of Detroit?</p> <p>7 A. Yes.</p> <p>8 Q. What are those?</p> <p>9 A. Depending upon where the property</p> <p>10 resides, there are reductions in the rates in an</p> <p>11 enterprise zone. So any property that's in those</p> <p>12 zones would pay less taxes.</p> <p>13 Q. And what about the homestead exemption?</p> <p>14 Does that reduce taxes?</p> <p>15 A. It's to encourage -- the homestead</p> <p>16 exemption -- generally, how homestead exemptions</p> <p>17 work is they encourage people to live in the city.</p> <p>18 So it reduces the amount of property tax, but it</p> <p>19 could have an impact on increasing the amount of</p> <p>20 income tax that you would receive.</p> <p>21 So -- and so when you say, "Does it</p> <p>22 reduce taxes?" in a vacuum -- you can't look at it</p> <p>23 that way. You have to look at it with all the</p> <p>24 impact.</p> <p>25 Q. Has the City found that there are people</p>

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1 JOHN W. HILL
 2 who are improperly claiming the homestead
 3 exemption to reduce their property taxes?
 4 **A. I haven't looked at that specific issue.**
 5 **I haven't looked at that.**
 6 Q. Has anybody in the City investigated
 7 whether people are improperly claiming homestead
 8 exemption to reduce their property taxes?
 9 **A. I've not seen that report.**
 10 Q. And you're not aware of an investigation
 11 of that, one way or the other?
 12 **A. I'm not. Not at this point.**
 13 Q. Utility user's tax, are there any
 14 exemptions or reductions for that?
 15 **A. I know that there are -- I know that**
 16 **there are. I couldn't tell you specifically which**
 17 **ones there are.**
 18 Q. What about the wagering tax? Are there
 19 exemptions or reductions for that?
 20 **A. Not that I'm aware of.**
 21 Q. Are there exemptions or reductions for
 22 the corporate tax?
 23 **A. I know there are exemptions based on the**
 24 **type business, but I couldn't tell you which**
 25 **specific ones.**

1 JOHN W. HILL
 2 Q. Are there private and nonprofit entities
 3 engaged in significant efforts to bring new
 4 businesses and jobs to the City of Detroit?
 5 **A. Yes.**
 6 Q. And what kind of private entities and
 7 nonprofits are doing that?
 8 **A. Certainly the efforts that are occurring**
 9 **with Quicken and their incubation of private**
 10 **companies; and some of the properties that they**
 11 **own is a major effort to try to create businesses**
 12 **here and to improve the growth of those**
 13 **businesses.**
 14 **There are a number of organizations that**
 15 **are providing grants to businesses to come into**
 16 **the city. And then also foundations are providing**
 17 **resources to be able to work on business**
 18 **attraction as well.**
 19 Q. Are the efforts by private entities --
 20 have they been successful in terms of increasing
 21 the potential for future increase in business in
 22 the city?
 23 **A. There have been new businesses that have**
 24 **come into the city as a result of that and that**
 25 **are being created.**

1 JOHN W. HILL
 2 **It remains to be seen how they grow and**
 3 **what impact that might have on the tax structure.**
 4 Q. So would that be another uncertainty in
 5 terms of the forecasting, the growth of new
 6 businesses?
 7 **A. That is an uncertainty, yes.**
 8 Q. And do you agree that there are a number
 9 of uncertainties with respect to the forecasts in
 10 this case?
 11 **A. I would agree that that's the nature of**
 12 **a forecast.**
 13 Q. Is the State engaged in any ongoing
 14 efforts to help bring new business and jobs to the
 15 City of Detroit?
 16 **A. I am -- I'm not specifically aware of**
 17 **the specific efforts, so I wouldn't know. I**
 18 **wouldn't be able to answer that.**
 19 Q. Is the federal government engaged in any
 20 ongoing efforts to bring new businesses and jobs
 21 to the City?
 22 **A. Yes.**
 23 Q. What kind of activities?
 24 **A. Certainly the work around grants that's**
 25 **being done with some of the federal departments**

1 JOHN W. HILL
 2 **could have the impact of bringing new jobs to the**
 3 **City. That's the one that I know of specifically.**
 4 Q. What grants are there that have the
 5 impact of bringing new jobs to the City in the
 6 future?
 7 **A. Grants around transportation, to be able**
 8 **to expand the number of buses and bus routes;**
 9 **grants around the M1 line, which would bring**
 10 **people from outside of the city into the city to**
 11 **work. And so those are all efforts that the**
 12 **federal government is involved in and the City is**
 13 **involved.**
 14 Q. What's the current status of the M1 line
 15 project?
 16 **A. I know that it's applied for certain**
 17 **grant funding. I also know that all of the**
 18 **funding needed has not been identified yet.**
 19 Q. Is it correct that there are grants that
 20 are given to the -- by the federal government to
 21 entities other than the City that could have the
 22 effect of increasing the City's revenues or
 23 reducing its costs?
 24 **A. You'd have to tell me the specific**
 25 **grants.**

1 JOHN W. HILL

2 Q. Well, you're saying that there are these
3 grants that could result in improving business and
4 the economy of Detroit that private entities or
5 other entities are receiving. You're aware of
6 that; correct?

7 A. Certainly the -- yes, absolutely.

8 Q. And so there are grants the federal
9 government gives to entities other than the City
10 that in the future could have the effect of
11 increasing the City's revenues or decreasing its
12 costs; correct?

13 A. Again, it's -- it could have the effect.

14 And -- yes, efforts underway to have federal --
15 federal grants that go to other entities could
16 have an effect on the revenues in the city.

17 Q. And have you ever heard of the Revised
18 Judicature Act of 1961?

19 A. No.

20 Q. So you don't know what it provides?

21 A. No. I'm not --

22 Q. Do you know if the, one way or the
23 other, whether the City has ever paid any
24 judgments covered by the Revised Judicature Act?

25 A. I know that the City has paid judgments

1 JOHN W. HILL

2 in order to pay judgments against the City?

3 A. I know that that has happened.

4 Q. I mean, were you ever -- did you -- I
5 mean -- but you can't give me any of the specifics
6 of those instances where that's happened?

7 A. No. Like I said, it was just in some
8 materials that I was actually looking at, and I
9 don't recall the specifics of it. But I do know
10 that they were relatively small. And whenever
11 that would be done, collectability is an issue.

12 Q. Well, did the City pay those judgments?

13 A. The judgments were paid, yes.

14 Q. And the City paid the judgments by
15 increasing property taxes in full?

16 A. Yeah. And as I said, they were small.

17 Q. But they -- the City paid them in full?

18 A. Yes.

19 Q. Do you know if the City used money from
20 the general fund -- well, it raised property
21 taxes, I guess, is the answer to that.

22 Do you know whether there are instances
23 where creditors threaten to invoke the law to
24 require the City to pay judgments by increasing
25 property taxes?

1 JOHN W. HILL

2 before and -- but the name of the act I'm not
3 familiar with.

4 Q. Okay. What are you familiar with or
5 what were you thinking of?

6 A. I know that there have been a couple of
7 instances where there have been judgments in which
8 the City has increased property taxes in order to
9 pay for those judgments, but I only know of a
10 couple of instances.

11 Q. What are those instances that you're
12 aware of?

13 A. I couldn't -- I couldn't give you the
14 specifics of them. I know of -- I know of two.

15 Q. Do you know when they occurred?

16 A. Quite a while ago.

17 And it was -- and it was in a -- a
18 document that I was looking at, but I don't know
19 the specifics of it.

20 Q. Okay. But you know that the City can
21 increase property tax to pay judgments against the
22 City; correct?

23 A. I know that that's a possibility.

24 Q. And you know it's -- that the City can
25 increase property taxes above statutory maximums

1 JOHN W. HILL

2 A. I know of no specific lease. I'd have
3 to know what you meant by threats.

4 Q. Well, you mentioned that it actually
5 occurred in two instances. And I'm just wondering
6 whether there was a possibility of it occurring in
7 any other instances other than the two?

8 A. Not that I'm aware of. I wasn't here
9 when it occurred. I just know from the documents
10 I've read.

11 Q. Okay.

12 MR. STEWART: Do you want --

13 MR. SMITH: Sure, we can.

14 MR. STEWART: As you know, I never like
15 to take breaks.

16 MR. SMITH: But I think the court
17 reporter deserves one.

18 THE VIDEOGRAPHER: Going off the record
19 at 12:59. This the end of Tape No. 3.

20 MR. STEWART: So we had another minute.
21 (Luncheon recess from 12:59 p.m. to
22 1:35 p.m.)

23 THE VIDEOGRAPHER: We are back on the
24 record at 1:35. This is the beginning of
25 Tape No. 4.

1 JOHN W. HILL
 2 BY MR. SMITH:
 3 Q. Mr. Hill, has the City done any
 4 contingency planning in the event the bankruptcy
 5 petition is dismissed?
 6 **A. I know of none.**
 7 Q. And the City hasn't attempted to
 8 forecast revenues or expenses for the City in the
 9 event the Court dismisses the bankruptcy petition?
 10 **A. I know of no plan.**
 11 Q. Do you know how much money the State has
 12 provided the City from January 1, 2000, to the
 13 present?
 14 **A. Offhand, no, I don't.**
 15 Q. Do you know even a round number?
 16 **A. No. Offhand, I couldn't tell.**
 17 Q. Do you know how the City has used funds
 18 from the State since January 1, 2001?
 19 **A. I know of -- well, yeah. I mean, the**
 20 **funds from the State actually come in in a number**
 21 **of different ways. They can come in through**
 22 **grants. They can come in through revenue sharing,**
 23 **and so they become a part of the general fund at**
 24 **least from the revenue-sharing standpoint. So**
 25 **they've been used to support expenditures.**

1 JOHN W. HILL
 2 Q. Do you know specifically since 2001 how
 3 this City has utilized the funds from the State,
 4 like which expenditures the City has used State
 5 funds during that period?
 6 **A. No. It doesn't work that way, no.**
 7 Q. When you say "it doesn't work that way,"
 8 what do you mean?
 9 **A. I mean that there are -- there are**
 10 **revenues that are collected as part of the general**
 11 **fund. There are also revenues that are -- that**
 12 **come in from the State as grants through the**
 13 **State. And so the revenues that support the**
 14 **general fund could be -- could be used for any**
 15 **purpose that is a part of the general fund**
 16 **appropriation.**
 17 **So -- so it's -- it doesn't work that**
 18 **way.**
 19 Q. Can you testify about potential money
 20 from the State that the City might receive in the
 21 future?
 22 MR. STEWART: Objection.
 23 THE WITNESS: Potential money?
 24 BY MR. SMITH:
 25 Q. Yeah. Can you testify or give me

1 JOHN W. HILL
 2 information about what money the State may give
 3 the City in the future?
 4 **A. No. May give? No.**
 5 Q. Can you testify about what money the
 6 federal government may give the State in the
 7 future -- I mean the City in the future?
 8 **A. No.**
 9 Q. Can you tell me the amount of money the
 10 federal government has given the City from
 11 January 1, 2001, to the present?
 12 **A. I don't know the exact amount, but I**
 13 **know it's recorded. But I don't know.**
 14 Q. Not even a ballpark figure?
 15 **A. No. I'd have to refer back to the**
 16 **statements and records. I haven't summarized**
 17 **that.**
 18 Q. Do you know what -- what the money from
 19 the federal government has been used for since
 20 January 1, 2001?
 21 **A. I know some of the purposes, yeah.**
 22 Q. What are the purposes you do know?
 23 **A. Grant funding to support the hiring of**
 24 **police is one purpose, certain grants. And**
 25 **there's certainly been money to support**

1 JOHN W. HILL
 2 **transportation initiatives, so general grant**
 3 **funding has been used.**
 4 Q. Any other purposes you know of, or do
 5 you just not have knowledge about all the purposes
 6 the federal money's been used for?
 7 **A. I don't have knowledge about all of the**
 8 **purposes. But I do know that there have been**
 9 **federal grants, and I've mentioned a few. Yeah.**
 10 Q. And who's the most knowledgeable person
 11 about what federal moneys have been used for at
 12 the City of Detroit?
 13 **A. It's recorded, so it's a matter of**
 14 **reviewing the records and then saying what the**
 15 **records show.**
 16 Q. Okay. In preparation for your
 17 testimony, you didn't review the records regarding
 18 State money coming in or federal money coming in
 19 to be able to answer the questions about that
 20 today?
 21 **A. To be able to answer that question, no.**
 22 Q. The -- is there a requirement in Detroit
 23 that City employees live in the city?
 24 **A. There's not a requirement.**
 25 Q. And you know that there are cities where

<p style="text-align: right;">Page 181</p> <p>1 JOHN W. HILL</p> <p>2 City workers are required to live in the city?</p> <p>3 A. Yes, I do know that.</p> <p>4 Q. And requiring City workers to live in</p> <p>5 the city can increase revenues to the City;</p> <p>6 correct?</p> <p>7 A. It can have a number of different</p> <p>8 effects. It could increase revenues to the City,</p> <p>9 or it could drive the City not to be able to find</p> <p>10 people who are willing to work in the city and</p> <p>11 live in the city.</p> <p>12 Q. But requiring workers to live in the</p> <p>13 city can increase revenues to the City by</p> <p>14 requiring them to buy property in the City to live</p> <p>15 in; correct? I mean, it should increase the</p> <p>16 property values.</p> <p>17 MR. STEWART: Objection.</p> <p>18 THE WITNESS: I don't know how a City</p> <p>19 could require somebody to buy property.</p> <p>20 BY MR. SMITH:</p> <p>21 Q. Well, okay. How is it that requiring</p> <p>22 City workers to live in the city can increase</p> <p>23 revenues?</p> <p>24 A. As -- if all things being equal, the</p> <p>25 revenue associated with that employee would be</p>	<p style="text-align: right;">Page 183</p> <p>1 JOHN W. HILL</p> <p>2 A. I've not been involved in those</p> <p>3 discussions, if they've occurred.</p> <p>4 Q. Do you know that the City received some</p> <p>5 Hardest Hit funds, approximately \$52 million;</p> <p>6 correct?</p> <p>7 A. Yes.</p> <p>8 Q. Do you know if the City has lobbied the</p> <p>9 State to lease additional Hardest Hit funds to the</p> <p>10 City?</p> <p>11 A. I've not been a part of those</p> <p>12 negotiations or discussions.</p> <p>13 Q. Do you know that there were</p> <p>14 approximately 16,000 properties that were</p> <p>15 transferred to the Detroit Land Bank?</p> <p>16 A. I know that there were properties</p> <p>17 transferred to the Detroit Land Bank. I'd have to</p> <p>18 look at the records to show the exact number.</p> <p>19 Q. Do you know whether a value was placed</p> <p>20 on those properties?</p> <p>21 A. I don't know.</p> <p>22 Q. And do you know whether those properties</p> <p>23 have been auctioned off by the Detroit Land Bank?</p> <p>24 A. I know that the properties are in the</p> <p>25 process of being auctioned off.</p>
<p style="text-align: right;">Page 182</p> <p>1 JOHN W. HILL</p> <p>2 taxed at a different level. It would for the</p> <p>3 City. And the rest is dependent upon whether the</p> <p>4 person buys a piece of property that was not</p> <p>5 occupied by somebody else before. So I couldn't</p> <p>6 tell you other than that.</p> <p>7 Q. And one way would be that requiring City</p> <p>8 workers to live in the city would be because they</p> <p>9 would be subject to a higher income tax rate; is</p> <p>10 that correct?</p> <p>11 You have to be audible.</p> <p>12 A. Yes. I'm sorry. I'm sorry.</p> <p>13 Q. The -- were you aware that the City of</p> <p>14 Detroit or JPMorgan had recently dedicated some</p> <p>15 money, around \$100 million, for work to improve</p> <p>16 the City of Detroit? Were you aware of that?</p> <p>17 A. I was aware of JPMorgan's announcement,</p> <p>18 yes. In terms of where the money is going and</p> <p>19 whether it's been received or not, I don't know.</p> <p>20 Q. Okay. Do you know how that came about?</p> <p>21 A. No, I don't.</p> <p>22 Q. Do you know whether the City has had</p> <p>23 discussions with banks about using Community</p> <p>24 Reinvestment Act funds to help fund efforts to</p> <p>25 reduce blight?</p>	<p style="text-align: right;">Page 184</p> <p>1 JOHN W. HILL</p> <p>2 Q. Do you know the amount of revenue that's</p> <p>3 been generated from auctioning the properties off</p> <p>4 at the Detroit Land Bank?</p> <p>5 A. I don't have that number.</p> <p>6 Q. The City doesn't get any revenue from</p> <p>7 the Land Bank's auctions, does it?</p> <p>8 A. The City -- directly, no.</p> <p>9 Q. Okay. Indirectly, does it get any</p> <p>10 money?</p> <p>11 A. It allows the Land Bank to do other</p> <p>12 functions that would help improve economic</p> <p>13 conditions within the City. So indirectly, it</p> <p>14 could have an impact.</p> <p>15 Q. Okay. But there's no funds that go to</p> <p>16 the general fund from Land Bank auctions; correct?</p> <p>17 A. No.</p> <p>18 Q. The City just gave away 16,000</p> <p>19 properties in the Land Bank's auctioning them off</p> <p>20 and retaining the funds; correct?</p> <p>21 MR. STEWART: Objection.</p> <p>22 THE WITNESS: I wouldn't agree with your</p> <p>23 characterization --</p> <p>24 BY MR. SMITH:</p> <p>25 Q. Well, did the --</p>

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1 JOHN W. HILL
2 **A. -- they "transferred."**
3 Q. Well, the City didn't get any money from
4 the Land Bank for the properties it transferred to
5 it, did it?
6 **A. As I said, it depends upon -- the City**
7 **did not get money for that, no. The City did not**
8 **get money for the transfer.**
9 Q. Do you agree that with the State's
10 cooperation, the City can increase income tax
11 rates?
12 MR. STEWART: Objection.
13 THE WITNESS: I don't know that.
14 BY MR. SMITH:
15 Q. You don't know whether if the State
16 agrees to increase income tax rates and passes
17 legislation whether the City can increase the
18 income tax rates?
19 **A. That's a different question than the one**
20 **that you first asked me. I'll answer the second**
21 **question.**
22 **In order for the City to increase its**
23 **income tax rates, there has to be legislation in**
24 **order for the City to do that because we're**
25 **already at the limits.**

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1 JOHN W. HILL
2 Q. So with the State's cooperation and
3 passing legislation, the City could increase its
4 income tax rates; correct?
5 MR. STEWART: Objection.
6 THE WITNESS: I don't agree with the
7 word "cooperation." It's -- it's if
8 legislation is passed that allows it. The
9 City could increase its income tax rates.
10 It's not clear that that would
11 necessarily result in more tax income.
12 BY MR. SMITH:
13 Q. The City hasn't done any study, though,
14 that's looked at whether an increase in income tax
15 rates would increase or decrease tax revenues;
16 correct?
17 **A. I've not seen the study.**
18 Q. And if legislation were passed, though,
19 there's -- the City could increase the income tax
20 rate; correct?
21 **A. Passed by whom?**
22 Q. If legislation were passed by the State
23 Legislature authorizing that the City could
24 increase the income tax rate; right?
25 **A. Yeah, as a mechanical matter, yes.**

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1 JOHN W. HILL
2 Q. And if the State Legislature approved
3 it, the City could increase the wage earning tax
4 rate; correct?
5 **A. Yes.**
6 Q. And if the Legislature approved it, the
7 City could increase the corporate tax rate;
8 correct?
9 **A. Yes.**
10 Q. And if the -- does the Legislature need
11 to approve all property tax increases?
12 **A. The State Legislature? No, the one we**
13 **talked about before is -- would not require --**
14 Q. That's the Judicature Act one?
15 **A. Right.**
16 Q. But if the Legislature approved, the
17 City could also increase property tax rates that
18 way, by new legislation; correct?
19 MR. STEWART: Objection.
20 THE WITNESS: If there were -- if the
21 City -- the City is up against the limits of
22 its authority to increase tax rates on the
23 tax items we talked about, so there would
24 have to be a change in legislative authority
25 from the State to allow the City to do that.

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1 JOHN W. HILL
2 BY MR. SMITH:
3 Q. And you can't represent to the Court
4 that during the next 10 years the tax rates in the
5 city won't change; correct?
6 **A. I can't, no.**
7 Q. Okay. The City could -- in the past
8 when the income tax rates were higher, did the
9 City collect more revenue?
10 **A. That wasn't the only factor, there were**
11 **more residents. There were more -- in the past,**
12 **there were more taxpayers. And so I don't -- I**
13 **don't understand your question.**
14 Q. Well, when the income tax rate was
15 higher in the city, was the tax revenue higher
16 from the income tax?
17 **A. It's not a cause and effect necessarily.**
18 **There are a number of other factors that affect**
19 **the total amount of taxes that are collected other**
20 **than just the rate.**
21 **There are potential scenarios where you**
22 **can raise rates and actually collect less.**
23 Q. And my -- that's not an answer to my
24 question. Strike that response.
25 The -- my only question is, during the

Pages 185 to 188

<p style="text-align: right;">Page 189</p> <p>1 JOHN W. HILL</p> <p>2 period when income tax rates were higher in the</p> <p>3 city, were tax revenues higher or lower than</p> <p>4 current tax revenues?</p> <p>5 MR. STEWART: Did you mean tax rates</p> <p>6 higher or lower? Because it went down as --</p> <p>7 were tax revenues higher or lower than</p> <p>8 current tax revenues? Or did I just screw it</p> <p>9 up?</p> <p>10 MR. SMITH: I think my question is okay.</p> <p>11 MR. STEWART: Let's just reread it.</p> <p>12 Just reread the question.</p> <p>13 (Thereupon, the requested portion</p> <p>14 was read back by the reporter as</p> <p>15 above recorded.)</p> <p>16 BY MR. SMITH:</p> <p>17 Q. Why don't I re-ask the question. Okay?</p> <p>18 MR. STEWART: That's what I thought.</p> <p>19 BY MR. SMITH:</p> <p>20 Q. Is that okay with you, Mr. Hill, if I</p> <p>21 re-ask the question?</p> <p>22 A. I don't get a vote.</p> <p>23 MR. STEWART: You do too.</p> <p>24 Let him re-ask his question.</p> <p>25 BY MR. SMITH:</p>	<p style="text-align: right;">Page 191</p> <p>1 JOHN W. HILL</p> <p>2 discussions about reducing taxes in ways other</p> <p>3 than reducing the rates?</p> <p>4 A. Not reducing taxes, no.</p> <p>5 Q. Have you -- I guess you haven't read</p> <p>6 Mr. Evanko's deposition; correct?</p> <p>7 A. I have not read Mr. Evanko's deposition.</p> <p>8 Q. Did you talk to him at all about his</p> <p>9 deposition?</p> <p>10 A. No, I have not.</p> <p>11 Q. Are there tax reforms that the City has</p> <p>12 contemplated that we haven't discussed today?</p> <p>13 MR. STEWART: Objection.</p> <p>14 THE WITNESS: There are things that are</p> <p>15 happening in taxes that you've not discussed</p> <p>16 yet.</p> <p>17 BY MR. SMITH:</p> <p>18 Q. What things are those?</p> <p>19 A. Well, the lowering of the assessments,</p> <p>20 which was not the lowering of the rates; it was</p> <p>21 lowering of the assessments.</p> <p>22 Q. And anything else that we've talked</p> <p>23 about with respect to tax -- I mean, anything else</p> <p>24 that we haven't talked about with respect to</p> <p>25 taxes?</p>
<p style="text-align: right;">Page 190</p> <p>1 JOHN W. HILL</p> <p>2 Q. When income tax rates were higher in the</p> <p>3 city during that period of time, were the</p> <p>4 collections of income tax revenue higher or lower</p> <p>5 than they currently are?</p> <p>6 A. Higher.</p> <p>7 Q. And after increasing the corporate tax</p> <p>8 rate, has there been an increase in corporate tax</p> <p>9 revenue?</p> <p>10 A. Again, I haven't looked at the corporate</p> <p>11 tax revenue piece in as -- in as great a detail,</p> <p>12 so I can't answer that from what's in my head</p> <p>13 right now.</p> <p>14 Q. Okay. Do you know whether requests for</p> <p>15 voter approval of tax increases in the city have</p> <p>16 generally been approved?</p> <p>17 A. I don't know.</p> <p>18 Q. Have you been a party to any discussions</p> <p>19 about reducing tax rates in the city?</p> <p>20 A. Rates, no.</p> <p>21 Q. Have you been -- do you know whether the</p> <p>22 City has had discussions about reducing tax rates?</p> <p>23 A. No. I don't know that they have had</p> <p>24 discussions about reducing tax rates.</p> <p>25 Q. Do you know whether the City has had</p>	<p style="text-align: right;">Page 192</p> <p>1 JOHN W. HILL</p> <p>2 A. There are a lot of things that we have</p> <p>3 not talked about with respect to taxes. Can</p> <p>4 you -- can you rephrase for me?</p> <p>5 Q. Any changes in tax -- tax policy that we</p> <p>6 haven't talked about that there have been</p> <p>7 discussions about?</p> <p>8 THE WITNESS: Not that I know of.</p> <p>9 BY MR. SMITH:</p> <p>10 Q. Okay. You're relying on your experience</p> <p>11 in Washington, D.C., for your opinions in this</p> <p>12 case; correct?</p> <p>13 A. On that and other work and reviews</p> <p>14 and -- yes.</p> <p>15 Q. Okay. And Washington, D.C., faced a</p> <p>16 fiscal crisis; correct?</p> <p>17 A. Yes.</p> <p>18 Q. And was Washington, D.C., successful in</p> <p>19 implementing successful strategies to address the</p> <p>20 fiscal crisis?</p> <p>21 A. Yes, it was.</p> <p>22 Q. Okay. Did Washington, D.C., ever</p> <p>23 consider filing Chapter 9 bankruptcy?</p> <p>24 A. It couldn't.</p> <p>25 Q. Okay.</p>

Pages 189 to 192

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1 JOHN W. HILL
 2 **A. It wouldn't apply to Washington, D.C.**
 3 Q. Okay. You agree that there are many
 4 reasons a city might experience financial crisis;
 5 correct?
 6 **A. Yes.**
 7 Q. What are some of the reasons?
 8 **A. Loss in population is certainly a**
 9 **reason. I can give you specific reasons why D.C.**
 10 **experienced a financial crisis, which was**
 11 **certainly -- there was a population loss that**
 12 **occurred and the high incidents of crime within**
 13 **the City at the time and the size of the**
 14 **government were all issues that I testified to**
 15 **before Congress.**
 16 Q. Can fiscal mismanagement lead to fiscal
 17 crisis?
 18 **A. Yes.**
 19 Q. Was fiscal mismanagement one of the
 20 factors leading to Detroit's fiscal crisis?
 21 **A. I don't know that for a fact, or its --**
 22 **its exact role in that, but I don't know that for**
 23 **a fact. That would be a conclusion.**
 24 Q. I mean, do you know what the causes of
 25 Detroit's fiscal crisis are?

1 JOHN W. HILL
 2 **A. I know some of the causes.**
 3 Q. What are some of the causes that you
 4 know?
 5 **A. The economy overall. The loss in -- the**
 6 **loss in population is clearly one of the things**
 7 **that would lead to fiscal crisis.**
 8 Q. And there are additional factors that
 9 you haven't identified that are causes of
 10 Detroit's fiscal crisis; correct?
 11 **A. Contributors, yeah.**
 12 Q. The District of Columbia raised taxes to
 13 address its fiscal crisis; correct?
 14 **A. That wasn't -- that was one of the items**
 15 **that the District of Columbia was able to do to**
 16 **address aspects of the fiscal crisis.**
 17 Q. And another -- so one successful
 18 strategy that the District of Columbia employed to
 19 address fiscal crisis was raise a variety of
 20 taxes; correct?
 21 MR. STEWART: Objection.
 22 THE WITNESS: There -- there were some
 23 tax increases -- yeah, there were some tax
 24 increases after the financial problems there.
 25 BY MR. SMITH:

1 JOHN W. HILL
 2 Q. And another strategy that the District
 3 of Columbia successfully used to address fiscal
 4 crisis was to cut spending and programs; correct?
 5 **A. Yeah. Yeah, to reduce the size of**
 6 **government. Yes, that was a -- that was a big**
 7 **savings that the District had.**
 8 Q. And the District of Columbia, one thing
 9 that it did to address its fiscal crisis was
 10 increase its fees on things like patient charges
 11 in the hospitals? Do you recall that?
 12 **A. Patient charges? No.**
 13 Q. Did the District of Columbia increase
 14 fees for services as a successful strategy to
 15 combat its fiscal crisis?
 16 MR. STEWART: Objection.
 17 THE WITNESS: You'd have to tell me
 18 which fees -- there were fees that increased
 19 and fees that were lowered as well.
 20 BY MR. SMITH:
 21 Q. On balance, did the City -- District of
 22 Columbia increase fees --
 23 **A. There were some --**
 24 Q. -- to address fiscal crisis?
 25 **A. There were fees that were increased,**

1 JOHN W. HILL
 2 **yes.**
 3 **(Exhibit Hill-2 was marked for**
 4 **identification.)**
 5 MR. SMITH: Why don't I mark this DC
 6 Fiscal Policy paper as Exhibit 2.
 7 BY MR. SMITH:
 8 Q. And if you could turn to Page 3 of the
 9 document. There's a series of bullets there.
 10 Do you see those?
 11 **A. Uh-huh.**
 12 Q. The second bullet says, "There was a
 13 temporary increase in deed recordation and
 14 transfer taxes that apply to real estate sales,
 15 which raised \$24 million."
 16 Do you see that?
 17 **A. I see the bullet.**
 18 Q. Is that one of the taxes that was
 19 increased in the city?
 20 **A. Over what period? This was -- this**
 21 **is -- this organization is not one that -- I know**
 22 **of this organization, and I know that it has a**
 23 **certain political bent to it. So -- so I**
 24 **question --**
 25 Q. Well, I'm not really --

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1 JOHN W. HILL

2 **A. I question this as an authoritative**

3 **document --**

4 Q. Well, I'm more interested in your

5 knowledge --

6 **A. -- on what happened in the District.**

7 Q. I'm more interested in your knowledge;

8 right? I want to know what you know about what

9 taxes -- what taxes were increased in the city.

10 **A. But I want to say that this -- that the**

11 **organization that put this document together, I**

12 **would rarely use any of their policy work because**

13 **of the bent that that organization has.**

14 Q. Okay. Fine.

15 MR. STEWART: Let him finish.

16 MR. SMITH: The answer to that question

17 has got --

18 MR. STEWART: That's too bad.

19 MR. SMITH: -- nothing to do with

20 policy.

21 MR. STEWART: But he's allowed to say --

22 you didn't let him finish his answer.

23 THE WITNESS: But you put a document in

24 front of me that has a fact in it which I

25 have not checked out, and I know that the

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1 JOHN W. HILL

2 source of the document has problems.

3 BY MR. SMITH:

4 Q. Well, I'm just -- I'm interested in your

5 knowledge. So forget about the document, okay?

6 You can put it aside.

7 **A. I put it aside.**

8 Q. Okay. Did the City of Detroit have

9 taxes on vacant property?

10 **A. I don't know. I can't answer from my**

11 **knowledge on that.**

12 Q. You know that there are cities that tax

13 vacant property; correct?

14 **A. I know that there are cities that tax**

15 **vacant property.**

16 Q. And one reason to tax vacant property is

17 to discourage blight; correct?

18 **A. The main reason for taxing vacant**

19 **property is not to discourage blight.**

20 Q. What's the main reason for taxing vacant

21 property?

22 **A. It's to encourage development on the**

23 **property.**

24 Q. And so that's -- that would be a tax

25 that would be above and beyond ordinary property

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1 JOHN W. HILL

2 tax; correct?

3 **A. It would be a property tax for vacant**

4 **property.**

5 Q. And it would be a higher property tax

6 than the tax on non-vacant property; correct?

7 **A. Yes.**

8 Q. And you just can't recall if the

9 District of Columbia had a vacant property tax?

10 **A. No. I know that they did.**

11 Q. Oh, they did? And the District of

12 Columbia imposed a vacant property tax to

13 encourage development?

14 **A. Yes, that's why it was in place.**

15 Q. And the vacant property tax also

16 generated additional revenue for the City;

17 correct?

18 **A. Yes, it did.**

19 Q. And did the District of Columbia have

20 cigarette and alcohol taxes and other sin taxes

21 like that?

22 **A. The District of Columbia is a city,**

23 **county and state. So it would have a lot of taxes**

24 **that either a city, county or state would have.**

25 **So -- and, yes, that was one of them. But in most**

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1 JOHN W. HILL

2 **states and most places, those are state taxes, not**

3 **city taxes.**

4 Q. Did the cuts that the District of

5 Columbia made to address fiscal crisis include

6 cuts to public safety?

7 **A. I don't remember cuts to public safety**

8 **to address the fiscal crisis.**

9 Q. You just don't remember one way or the

10 other?

11 **A. I remember that there was more money**

12 **spent on the -- on public safety in the District.**

13 Q. Did the District of Columbia have --

14 what were -- why don't you tell me again what were

15 some of the main revenue sources of the District

16 of Columbia.

17 **A. It had an income tax. The District had**

18 **property taxes. It had a sales tax. It had fees**

19 **and fines. It had use taxes. It had most every**

20 **tax that you would see in the state, local or**

21 **county government all in the city because it**

22 **served all those functions.**

23 Q. Did the District of Columbia have taxes

24 on hospitals?

25 **A. I don't -- I don't remember.**

Pages 197 to 200

1 **JOHN W. HILL**
2 **I don't remember whether there were. I**
3 **thought it depended upon whether it was a**
4 **not-for-profit hospital or whether it was a**
5 **for-profit hospital.**
6 Q. Did the District of Columbia have taxes
7 on any kind of hospital?
8 **A. My recollection is that on the hospitals**
9 **that were for-profit hospitals there was taxation.**
10 **But, again, I'm just going from what my memory is.**
11 Q. Do you recall whether the District of
12 Columbia increased the tax on hospitals in
13 response to fiscal crisis?
14 **A. I don't recall that.**
15 Q. You just don't recall one way or the
16 other?
17 **A. No. I don't -- I don't recall that.**
18 Q. Does the -- does Detroit have a vacant
19 land tax?
20 **A. I don't know for sure.**
21 Q. Do you know if Detroit taxes hospitals?
22 **A. I don't know.**
23 Q. Do you agree that the District of
24 Columbia used a combination of tax increases and
25 spending cuts to successfully come out of fiscal

1 **JOHN W. HILL**
2 crisis?
3 **A. I believe those were -- there were other**
4 **factors that had a greater impact than that on the**
5 **fiscal crisis.**
6 Q. And what were the other factors?
7 **A. There were a number of functions that**
8 **were -- one of the largest factors was the**
9 **District paid for a large percentage of its**
10 **Medicaid. As I said, it's a state, city, and**
11 **county. So it had Medicaid expenses.**
12 **Before the crisis, the District paid**
13 **75 percent of its Medicaid -- either 50 percent or**
14 **75 percent. Paid a larger percentage of its**
15 **Medicaid than it did after the crisis. And so it**
16 **had to pay both the state -- it had to pay the**
17 **state portion.**
18 **So the federal government took over**
19 **certain expenses in the District that were rising**
20 **at greater rates than inflation. The federal**
21 **government took over the District's unfunded**
22 **pension liability as well, which meant that the**
23 **District would not have to pay those pension costs**
24 **that would have come due on the pension plan.**
25 Q. And did those actions by the federal

1 **JOHN W. HILL**
2 government involve the passage of legislation?
3 **A. Absolutely.**
4 Q. And so the District of Columbia was
5 successful in obtaining the passage of legislation
6 that helped it emerge from the fiscal crisis;
7 correct?
8 **A. Yes, it was the District of Columbia.**
9 Q. And the District of Columbia, did they
10 lobby Congress to pass legislation to improve the
11 fiscal situation of the District of Columbia?
12 **A. The Control Board did; yes.**
13 Q. And they successfully made their case to
14 the legislature and got them to take actions that
15 improved the fiscal condition of the City?
16 **A. The President and the legislature, yes.**
17 Q. And were you involved in those
18 activities?
19 **A. Yes, I was.**
20 Q. And, in your view, was it appropriate
21 and necessary for the District of Columbia to
22 lobby Congress to obtain legislation that would
23 remedy the fiscal crisis that it faced?
24 **A. It was appropriate, especially since**
25 **some of the fiscal crisis the City faced was a**

1 **JOHN W. HILL**
2 **result of the federal government.**
3 Q. And was it the obligation of the
4 City's leaders to do everything that they could to
5 obtain passage of the legislation from Congress to
6 remedy the fiscal crisis?
7 **A. The City leaders were supportive of the**
8 **legislation; yes.**
9 Q. And was it their obligation to do
10 everything that they could to obtain passage of
11 legislation to remedy the fiscal crisis in the
12 District of Columbia?
13 MR. STEWART: Objection.
14 THE WITNESS: The City leaders were not
15 the driving force behind the legislation. It
16 was the Control Board and the President of
17 the United States that were the driving force
18 behind the legislation. It was not the City
19 leaders.
20 BY MR. SMITH:
21 Q. What was your role exactly in addressing
22 the fiscal crisis in the District of Columbia?
23 **A. I was the executive director of the**
24 **Control Board that oversaw all of the activities**
25 **of the City. At one point the Congress moved the**

<p style="text-align: right;">Page 205</p> <p>1 JOHN W. HILL</p> <p>2 largest agencies of the government to the Control</p> <p>3 Board directly. So we were responsible for</p> <p>4 running a large portion of the City during that</p> <p>5 period of time.</p> <p>6 Q. And what would -- would your position be</p> <p>7 comparable to the emergency manager in Detroit?</p> <p>8 A. Parts of my position would be. The</p> <p>9 authority rested with the board. So the five</p> <p>10 volunteer members of the board had the authority.</p> <p>11 I was the top-paid staff. So -- so Kevyn Orr has</p> <p>12 the authority to act. I acted through a board.</p> <p>13 Q. Okay. In your view, is the emergency</p> <p>14 manager an effective mechanism for resolving</p> <p>15 fiscal crisis in cities in Michigan?</p> <p>16 A. I haven't done a study on that.</p> <p>17 Q. So you don't have an opinion one way or</p> <p>18 the other?</p> <p>19 A. I have an opinion on the Plan of</p> <p>20 Adjustment and the work that we're doing, which I</p> <p>21 think is all geared toward resolving the fiscal</p> <p>22 crisis in Detroit.</p> <p>23 Q. If there's ways to increase the amount</p> <p>24 that goes to creditors, you agree that the City</p> <p>25 should do that; correct?</p>	<p style="text-align: right;">Page 207</p> <p>1 JOHN W. HILL</p> <p>2 as Exhibit 3, which is a Chicago Fed Letter which</p> <p>3 talks about a conference you attended.</p> <p>4 Do you have that in front of you?</p> <p>5 A. Yes, I do.</p> <p>6 Q. And you gave a speech at the Chicago</p> <p>7 Federal Reserve about Detroit's problems; correct?</p> <p>8 A. Correct. I was the keynote lunch</p> <p>9 speaker.</p> <p>10 Q. Yeah. And there's a discussion of your</p> <p>11 remarks on the last page of this article.</p> <p>12 Do you see that?</p> <p>13 A. Uh-huh.</p> <p>14 Q. And in there it says, in that second</p> <p>15 column, the first paragraph, it says "Hill noted</p> <p>16 some similarities in the circumstances that</p> <p>17 precipitated fiscal turmoil in both cities:</p> <p>18 falling population, declining revenues leading to</p> <p>19 budget deficits, lack of financial controls and</p> <p>20 high unfunded pension obligations."</p> <p>21 Do you see that?</p> <p>22 A. Yes.</p> <p>23 Q. And it's true that in both Detroit and</p> <p>24 the District of Columbia, high unfunded pension</p> <p>25 obligations were one of the causes of Detroit's</p>
<p style="text-align: right;">Page 206</p> <p>1 JOHN W. HILL</p> <p>2 A. I believe that the City should try to</p> <p>3 increase revenues, yes. You know, I'm not -- not</p> <p>4 a part -- I'm not deciding whether those -- where</p> <p>5 those revenues go. That's the emergency manager's</p> <p>6 recommendation.</p> <p>7 Q. Okay. So you don't have a view about</p> <p>8 whether the City should endeavor to pay creditors</p> <p>9 more money if they can?</p> <p>10 A. I think that's a question I've already</p> <p>11 answered. And I believe that the -- that's</p> <p>12 exactly what the Plan of Adjustment is about.</p> <p>13 It's improving the likelihood that revenues can be</p> <p>14 produced over the long term that could -- that</p> <p>15 otherwise would increase the likelihood of amounts</p> <p>16 going to creditors. That's my view.</p> <p>17 Q. Where do you get that view from?</p> <p>18 A. From the discussions that we've had in</p> <p>19 the emergency manager's office, from looking at</p> <p>20 the plan, and from meetings that we've had and my</p> <p>21 view of the plan.</p> <p>22 (Exhibit Hill-3 was marked for</p> <p>23 identification.)</p> <p>24 BY MR. SMITH:</p> <p>25 Q. I'm going to hand you what we've marked</p>	<p style="text-align: right;">Page 208</p> <p>1 JOHN W. HILL</p> <p>2 fiscal crisis; correct?</p> <p>3 A. Having to fund pension obligations, yes.</p> <p>4 Q. And another cause of Detroit's and the</p> <p>5 District of Columbia's fiscal crisis was lack of</p> <p>6 financial controls; correct?</p> <p>7 A. Yes.</p> <p>8 Q. How does that contribute to fiscal</p> <p>9 crisis, the lack of financial controls?</p> <p>10 A. Well, it could in a number of ways. It</p> <p>11 could result in the inability to make sure that</p> <p>12 you're getting the most for a dollar in a</p> <p>13 contract, for instance.</p> <p>14 Let's say if you take a situation in the</p> <p>15 District, the competitive bidding process, which</p> <p>16 was a fiscal control, was very rarely implemented</p> <p>17 in the District before the crisis. And so there</p> <p>18 was no assurance that the City was paying the</p> <p>19 least-possible amount for the services that were</p> <p>20 being provided.</p> <p>21 And also just from the standpoint of</p> <p>22 knowing the fiscal condition of the City at any</p> <p>23 point in time.</p> <p>24 So lack of -- lack of those controls can</p> <p>25 have an impact on fiscal crisis.</p>

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<p style="text-align: right;">Page 209</p> <p>1 JOHN W. HILL</p> <p>2 Q. And then on the -- in this next column</p> <p>3 over towards the top, the first complete sentence</p> <p>4 says, "Currently there are several proposed</p> <p>5 recovery plans, but none of them have associated</p> <p>6 plans for implementation."</p> <p>7 Do you see that?</p> <p>8 A. Yeah. That's not -- that's not what I</p> <p>9 said.</p> <p>10 Q. Okay. What are the -- what are the --</p> <p>11 what did you say, basically, is what I want to</p> <p>12 know.</p> <p>13 A. What I said was that there are several</p> <p>14 proposed restructuring initiatives, okay, and that</p> <p>15 the detailed plans associated with the</p> <p>16 implementation of those initiatives are just now</p> <p>17 being done. So that's what I said.</p> <p>18 But --</p> <p>19 Q. And it's true today that the detailed</p> <p>20 plans for implementation of all the restructuring</p> <p>21 initiatives aren't all completed?</p> <p>22 A. Exactly. Exactly.</p> <p>23 Q. The -- if you look two sentences down,</p> <p>24 it says, "To conclude, Hill said to improve</p> <p>25 Detroit's fiscal performance in the future, the</p>	<p style="text-align: right;">Page 211</p> <p>1 JOHN W. HILL</p> <p>2 Q. And a commitment from business leaders</p> <p>3 to support the City's restructuring process is</p> <p>4 also necessary for Detroit's improved fiscal</p> <p>5 performance in the future?</p> <p>6 A. Yes.</p> <p>7 Q. What efforts, I mean, if any, has the</p> <p>8 City taken to get commitments from business</p> <p>9 leaders to support the City?</p> <p>10 A. Well, there are a number of efforts.</p> <p>11 The City has asked for business leaders -- and</p> <p>12 when I say "business," I mean nonpublic sector</p> <p>13 leaders -- to help in -- park maintenance, for</p> <p>14 instance, there's a huge project to have parks</p> <p>15 actually adopted by business leaders as well as by</p> <p>16 churches.</p> <p>17 Business leaders have been asked to</p> <p>18 support lien process efforts, and a number have</p> <p>19 volunteered to help look at certain processes.</p> <p>20 Procurement process was one of them. There is a</p> <p>21 whole list of various processes.</p> <p>22 So it's using business expertise to help</p> <p>23 think through strategies for improving city</p> <p>24 services, is what I meant by that.</p> <p>25 Q. Is it fair to say that the business</p>
<p style="text-align: right;">Page 210</p> <p>1 JOHN W. HILL</p> <p>2 following would be needed: a commitment to</p> <p>3 restructure the City from the bottom up; the</p> <p>4 provision of new services that would make the city</p> <p>5 attractive to new residents (such as mass</p> <p>6 transit,) a commitment from business leaders to</p> <p>7 support the city's restructuring process, and</p> <p>8 long-term financial monitoring after exiting</p> <p>9 bankruptcy."</p> <p>10 Does that summary accurately reflect</p> <p>11 what you said?</p> <p>12 A. That's very accurate, yes.</p> <p>13 Q. And when you say that you need a</p> <p>14 commitment to restructure the City from the bottom</p> <p>15 up in order to improve Detroit's fiscal</p> <p>16 performance in the future, what do you mean by</p> <p>17 that?</p> <p>18 A. Well, it was part of the restructuring</p> <p>19 initiative that we go department by department, as</p> <p>20 we're doing with the finance restructuring, and</p> <p>21 look at the various work flows, the people that</p> <p>22 are needed to be able to do those work flows. And</p> <p>23 then we're literally reconstructing the finance</p> <p>24 operation. And so that's a model that I think we</p> <p>25 could use in all of the departments.</p>	<p style="text-align: right;">Page 212</p> <p>1 JOHN W. HILL</p> <p>2 community has already committed to give Detroit</p> <p>3 free assistance in its efforts to improve its</p> <p>4 fiscal situation?</p> <p>5 A. There have been commitments -- there</p> <p>6 have been opportunities where the business</p> <p>7 community has stepped up. And there are other</p> <p>8 places, especially around blight, where the</p> <p>9 business community has offered and has committed</p> <p>10 to help.</p> <p>11 Q. What kind of commitments has the</p> <p>12 business community made to assist with blight</p> <p>13 reduction?</p> <p>14 A. Certainly a lot of the blight plan that</p> <p>15 was put together was funded by outside support,</p> <p>16 which provided a lot of important information</p> <p>17 about the magnitude of blight in the community.</p> <p>18 So there have already been efforts that have</p> <p>19 helped.</p> <p>20 Q. Okay. I mean, if you can give me</p> <p>21 specifics, what are the businesses going to do to</p> <p>22 reduce blight?</p> <p>23 A. Well, what are they going to do to</p> <p>24 reduce -- well, the first thing is helping out in</p> <p>25 pulling together the strategies and understanding</p>

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1 **JOHN W. HILL**
2 **where blight -- where blight is, which has been**
3 **part of the work that they're doing, and**
4 **documenting it in a way that you can go back to**
5 **those neighborhoods and make sure that that's**
6 **what's occurring there. So in a volunteer effort,**
7 **those are the ways.**
8 **The other ways that they help through**
9 **contracts is, much of the -- some of the blight**
10 **removal is actually going to be done through**
11 **contracts with businesses or contracting with the**
12 **City and be able to help.**
13 Q. Are there developers in Detroit that
14 hope that the -- or expect that the
15 blight-reduction efforts will increase their
16 property values in the city?
17 MR. STEWART: Objection.
18 THE WITNESS: I don't know specifically
19 what -- what developers think.
20 BY MR. SMITH:
21 Q. Do you expect the blight reduction or is
22 it the City's intent that it increases property
23 values?
24 **A. Yes.**
25 **(Exhibit Hill-4 was marked for**

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1 **JOHN W. HILL**
2 **identification.)**
3 BY MR. SMITH:
4 Q. I'm going to hand you what I'm going --
5 what I've marked as Exhibit 4. Is this a copy of
6 your presentation at the Federal Reserve meeting?
7 **A. Yes.**
8 Q. And in it you talk about Washington,
9 D.C., and Detroit; correct?
10 **A. Yes.**
11 Q. And is this presentation similar to the
12 type of testimony you want to be able to provide
13 to the Court? Or not?
14 **A. No. There's not a -- no. There isn't a**
15 **connection.**
16 Q. That's okay. That's fine.
17 (Simultaneous cross-talk.)
18 **A. I didn't say there's no connection, but**
19 **this wasn't in preparation for testimony to a**
20 **Court. This was a --**
21 Q. No. I understand. I'm just trying to
22 get a sense of whether this is the kind of thing
23 you would be talking about, not . . .
24 Well, why don't I ask you this: If you
25 look at the slide, I think it's the third slide in

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1 **JOHN W. HILL**
2 that says, "District of Columbia, What Caused the
3 Financial Crisis."
4 Do you see that one?
5 **A. Yes.**
6 Q. Okay. One thing that was a problem in
7 the District of Columbia that I think you already
8 mentioned was government was bloated; correct?
9 **A. Yes.**
10 Q. And was government bloat also a problem
11 leading to Detroit's financial crisis?
12 **A. I don't know that.**
13 Q. You just don't know one way or the
14 other?
15 **A. Well, I know that the current levels of**
16 **employment in Detroit government -- the current**
17 **levels are below what's going to be needed in**
18 **order to run the City on an ongoing basis. So --**
19 **because over time the City has shrunk**
20 **substantially.**
21 Q. Do you believe that it was necessary for
22 Detroit to shrink -- its government to shrink in
23 size to better serve the population?
24 **A. I haven't looked at the size of the**
25 **government before versus how it is now; but I do**

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1 **JOHN W. HILL**
2 **know that it's smaller. There are fewer employees**
3 **in the government now than there were.**
4 Q. Another factor that I think you already
5 mentioned in the District of Columbia and Detroit
6 contributing to financial crisis was poor
7 collection of taxes. Is that true?
8 **A. Yes.**
9 Q. And then if we -- a couple of slides
10 later, there's one called the "City of Detroit,
11 What Caused the Financial Crisis?"
12 **A. Is that the title of it?**
13 Q. Yeah. "City of Detroit, What Caused the
14 Fiscal Crisis?" Are you there?
15 **A. Uh-huh.**
16 Q. The last bullet says, "Disinvestment in
17 infrastructure and systems of control."
18 Do you see that?
19 **A. Yes.**
20 Q. What systems of control are you talking
21 about that contributed to the financial crisis in
22 Detroit?
23 **A. I'm talking about the -- the financial**
24 **system itself, which is -- which is outdated and**
25 **was not fully implemented at the time that it was**

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<p style="text-align: right;">Page 217</p> <p>1 JOHN W. HILL</p> <p>2 implemented.</p> <p>3 And when it was implemented, the</p> <p>4 systems -- the information -- the processes that</p> <p>5 lead up to implementing information into the</p> <p>6 system were not changed. When the system was</p> <p>7 first implemented, there were a lot of changes to</p> <p>8 the system so that the processes would not have to</p> <p>9 change. And that had an impact on the controls</p> <p>10 that were kind of embedded in the system. So, for</p> <p>11 instance -- I'll stop there.</p> <p>12 Q. And you still haven't fixed the --</p> <p>13 Detroit's financial system. You're in the process</p> <p>14 of doing that; correct?</p> <p>15 A. Correct.</p> <p>16 Q. And then there's another slide entitled</p> <p>17 "Must Be a Greater Strategy Around Recovery." Do</p> <p>18 you see that slide?</p> <p>19 MR. STEWART: Is this further back?</p> <p>20 MR. SMITH: Yeah, further back. I'm</p> <p>21 going in order. The title is "Must Be a</p> <p>22 Greater Strategy Around Recovery."</p> <p>23 MR. STEWART: Here it is.</p> <p>24 BY MR. SMITH:</p> <p>25 Q. You got it, Mr. Hill?</p>	<p style="text-align: right;">Page 219</p> <p>1 JOHN W. HILL</p> <p>2 A. I think that should be a part of the</p> <p>3 plan, yes. And most of it got publicized just</p> <p>4 because of the individuals that were involved and</p> <p>5 their profiles.</p> <p>6 Q. Okay.</p> <p>7 A. And it involved litigation.</p> <p>8 Q. And then there's a slide called "City of</p> <p>9 Detroit: A complicated recovery." Do you see</p> <p>10 that slide?</p> <p>11 A. Yes.</p> <p>12 Q. And you make several points about</p> <p>13 Detroit in this slide; correct?</p> <p>14 A. Yes, I do.</p> <p>15 Q. The first -- the first question I have</p> <p>16 is, you agree that actually effectively</p> <p>17 restructuring the City is going to be a very</p> <p>18 complicated task?</p> <p>19 A. Yes, I do.</p> <p>20 Q. And in the first bullet, you say: "A</p> <p>21 new Mayor and a restructured council must develop</p> <p>22 a strategy for meaningful engagement or</p> <p>23 unconstructive power plays are inevitable."</p> <p>24 Do you see that?</p> <p>25 A. Uh-huh.</p>
<p style="text-align: right;">Page 218</p> <p>1 JOHN W. HILL</p> <p>2 A. Uh-huh.</p> <p>3 Q. Okay. On that slide you talk about</p> <p>4 fixing internal systems and publicizing efforts</p> <p>5 that citizens will understand.</p> <p>6 Do you see that bullet?</p> <p>7 A. Yes.</p> <p>8 Q. And you mention tax returns,</p> <p>9 high-profile cheats.</p> <p>10 What are you talking about there?</p> <p>11 A. In the District one of the things that</p> <p>12 helped compliance, particularly because of some of</p> <p>13 the people who are living in the District, was to</p> <p>14 really go after some high-profile people who were</p> <p>15 living in the District but actually paying taxes</p> <p>16 to other states or claiming another state as their</p> <p>17 place of employment.</p> <p>18 And those became high-profile tax cases</p> <p>19 that we believed had an impact on -- going after</p> <p>20 that would have an impact on compliance for others</p> <p>21 who may be in similar situations. And that was</p> <p>22 part of the compliance strategy.</p> <p>23 Q. Do you plan to publicize enforcement</p> <p>24 efforts in Detroit as a means to try to improve</p> <p>25 collection of taxes?</p>	<p style="text-align: right;">Page 220</p> <p>1 JOHN W. HILL</p> <p>2 Q. And you agree that there's a risk in</p> <p>3 Detroit that there might be unconstructed power</p> <p>4 plays among the political actors that could</p> <p>5 undermine the restructuring?</p> <p>6 A. I think that could happen in any city,</p> <p>7 yes.</p> <p>8 Q. And what kind of specific things did you</p> <p>9 have in mind?</p> <p>10 A. It's important for the Mayor and the</p> <p>11 Council to work together. And over the last</p> <p>12 several months, the amount of cooperation between</p> <p>13 the Mayor and the Council has been incredible.</p> <p>14 It's been a very positive sign for me in terms of</p> <p>15 the ability to move forward.</p> <p>16 And so I'm talking about the</p> <p>17 relationship between the City leaders has to be</p> <p>18 one of shared goals and shared responsibilities</p> <p>19 for the reform effort.</p> <p>20 And we've started -- we've encouraged</p> <p>21 that by making sure that the Mayor and the Council</p> <p>22 are well aware and have bought into the efforts</p> <p>23 that are underway.</p> <p>24 And so there's a tremendous amount of</p> <p>25 time that's being spent in working with both</p>

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<p style="text-align: right;">Page 221</p> <p>1 JOHN W. HILL</p> <p>2 groups because they're the ones that are going to</p> <p>3 be in charge of the City moving forward.</p> <p>4 And so they're going to have to both</p> <p>5 understand and support a reform effort. So that's</p> <p>6 what that bullet means.</p> <p>7 Q. And moving forward in the next 10 years,</p> <p>8 there's no guarantee that the Mayor and City</p> <p>9 Council are going to cooperate in effectively</p> <p>10 implementing their restructuring efforts; correct?</p> <p>11 A. There's no guarantee, no.</p> <p>12 Q. And the next thing you say in this slide</p> <p>13 is, "Many of the major systems that reforms depend</p> <p>14 on are broken."</p> <p>15 Is that still an accurate statement?</p> <p>16 A. Yes. Remember, we talked about the</p> <p>17 financial management system needs to be replaced,</p> <p>18 the human resource information system needs to be</p> <p>19 replaced. And the good part about this is that</p> <p>20 there are projects in the Plan of Adjustment to do</p> <p>21 that.</p> <p>22 Q. You say "Must stabilize systems." Do</p> <p>23 you see that?</p> <p>24 A. Yes.</p> <p>25 Q. And right now, the systems that the City</p>	<p style="text-align: right;">Page 223</p> <p>1 JOHN W. HILL</p> <p>2 has to certify revenues; and only those revenues</p> <p>3 that are certified by the CFO can be appropriated</p> <p>4 against. And the CFO and the District also can</p> <p>5 stop spending without any other authority provided</p> <p>6 that he says that the budgets were not being</p> <p>7 adhered to.</p> <p>8 Q. In the City of Detroit, is there a</p> <p>9 constant pressure from the departments to spend</p> <p>10 more money than is budgeted?</p> <p>11 A. I wouldn't agree with your premise. I</p> <p>12 would say that there's a pressure to get things</p> <p>13 done. And sometimes they're not as familiar with</p> <p>14 the resources that might be available to get those</p> <p>15 things done. But there is a pressure.</p> <p>16 Q. Do you frequently get requests from the</p> <p>17 departments for more spending than you have money</p> <p>18 available to spend?</p> <p>19 A. Can you define "frequently"? I have</p> <p>20 gotten requests that I cannot agree to.</p> <p>21 Q. There are departments in the City that</p> <p>22 have made requests on you to spend money that the</p> <p>23 City doesn't have; is that correct?</p> <p>24 A. Yes.</p> <p>25 Q. Even during the pendency of the</p>
<p style="text-align: right;">Page 222</p> <p>1 JOHN W. HILL</p> <p>2 depends on for its financial data or the other</p> <p>3 systems you mentioned are unstable?</p> <p>4 A. I think they are working with a</p> <p>5 considerable amount of effort on the part of the</p> <p>6 staff, so I don't know that I'd say those systems</p> <p>7 are unstable. I would say that they're working</p> <p>8 with a lot of effort on the part of the staff to</p> <p>9 make them work.</p> <p>10 Q. In the next bullet, you ask whether</p> <p>11 there's a need for an independent CFO function for</p> <p>12 a period of time. Do you see that?</p> <p>13 A. Yes.</p> <p>14 Q. What did you mean there? Is that what's</p> <p>15 contemplated in this office of the CFO or . . .</p> <p>16 A. It's not what's contemplated in the</p> <p>17 office of the CFO.</p> <p>18 Q. What's it talking about?</p> <p>19 A. The District of Columbia is just one</p> <p>20 example of where there was an independent CFO</p> <p>21 function. And in that function, there are certain</p> <p>22 things that the CFO could do in their own</p> <p>23 authority to stop spending or other actions that</p> <p>24 the CFO could take.</p> <p>25 For instance, in the District, the CFO</p>	<p style="text-align: right;">Page 224</p> <p>1 JOHN W. HILL</p> <p>2 bankruptcy; correct?</p> <p>3 A. Yes, and hasn't been spent.</p> <p>4 Q. Okay. And one of your thoughts or</p> <p>5 opinions is that it might be necessary to have an</p> <p>6 independent CFO function for the City of Detroit</p> <p>7 in order to, I guess, ensure that spending does</p> <p>8 not get out of control or . . .</p> <p>9 A. That is one of the ways to control</p> <p>10 spending, yes.</p> <p>11 Q. And right now, is there any provision</p> <p>12 for an independent CFO of the type you</p> <p>13 contemplate?</p> <p>14 A. Not in the legislation that was passed</p> <p>15 by the -- not in the legislation, no.</p> <p>16 Q. And nowhere outside of the legislation?</p> <p>17 A. The only place in the legislation, it's</p> <p>18 unclear yet what the relationship between the CFO</p> <p>19 and the Control Board will be. And the Control</p> <p>20 Board could be in a position to provide direction</p> <p>21 to the CFO and some of that potential</p> <p>22 independence. It would have that authority.</p> <p>23 And then it's also a matter of the</p> <p>24 relationship between the CFO and the Mayor. And</p> <p>25 one of the reasons that I have agreed to be</p>

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<p style="text-align: right;">Page 225</p> <p>1 JOHN W. HILL</p> <p>2 appointed under this legislation is because I</p> <p>3 believe that this Mayor will allow the CFO to act</p> <p>4 independently. It won't be a function of</p> <p>5 legislation, but I think it would be a function of</p> <p>6 practice.</p> <p>7 Q. But there's no independent CFO in the</p> <p>8 legislation; correct?</p> <p>9 A. There's no independent CFO in the</p> <p>10 legislation.</p> <p>11 Q. You don't know who the next Mayor will</p> <p>12 be; correct?</p> <p>13 A. I don't know who the next CFO is going</p> <p>14 to be either -- correct. Correct.</p> <p>15 Q. And did you suggest to anybody that</p> <p>16 there should be an independent CFO in the</p> <p>17 legislation before it was passed?</p> <p>18 A. Yes.</p> <p>19 Q. How did you make that recommendation?</p> <p>20 A. I made the recommendation by drafting</p> <p>21 changes to the legislation.</p> <p>22 Q. Were there any other suggestions you</p> <p>23 made regarding the legislation that didn't make it</p> <p>24 into the legislation?</p> <p>25 A. They were mostly around -- the</p>	<p style="text-align: right;">Page 227</p> <p>1 JOHN W. HILL</p> <p>2 Q. Do you know if other people made</p> <p>3 recommendations to the Legislature about what</p> <p>4 should be in the legislation?</p> <p>5 A. I know that a lot of people had thoughts</p> <p>6 on it and that there were other recommendations</p> <p>7 for changes, but I don't know which ones made it</p> <p>8 and didn't make it.</p> <p>9 Q. I mean, do you know of other examples --</p> <p>10 I mean, can you talk about any specifics with</p> <p>11 respect to other recommendations that didn't make</p> <p>12 it into legislation?</p> <p>13 A. No, I can't.</p> <p>14 Q. The next bullet says "Post bankruptcy</p> <p>15 structure still under review with various</p> <p>16 models" -- oh, I skipped a bullet.</p> <p>17 The next one actually says "Multiple</p> <p>18 recovery plans by various stakeholders, no clear</p> <p>19 implementation."</p> <p>20 Do you see that? It's the fourth</p> <p>21 bullet.</p> <p>22 A. Yeah, I do. I do. I'm trying to think</p> <p>23 about -- I'll wait for your question.</p> <p>24 Q. Okay. What did you mean by this</p> <p>25 statement in the slide that there are multiple</p>
<p style="text-align: right;">Page 226</p> <p>1 JOHN W. HILL</p> <p>2 relationship and the powers of the CFO were the</p> <p>3 place where I concentrated most of my time.</p> <p>4 Q. I mean, other than the independent</p> <p>5 aspect, were there any other features that you had</p> <p>6 suggested relating to the CFO that didn't make it</p> <p>7 into the legislation?</p> <p>8 A. Yeah. I suggested that the CFO be</p> <p>9 required to review the impact of legislation that</p> <p>10 comes out of the Council and that he be required</p> <p>11 to -- he or she be required to express an opinion</p> <p>12 on the financial impact of the legislation. And</p> <p>13 if that legislation has a financial impact that's</p> <p>14 not incorporated in the budget, that it not be</p> <p>15 able to be implemented.</p> <p>16 Q. And why did you make that</p> <p>17 recommendation?</p> <p>18 A. To guard against the possibility of</p> <p>19 unfunded mandates in the budget without having the</p> <p>20 resources to satisfy those mandates.</p> <p>21 Q. And were there any other recommendations</p> <p>22 you made for the legislation that didn't get</p> <p>23 through or incorporated into the legislation?</p> <p>24 A. Those were the -- I mean, those were the</p> <p>25 principal ones.</p>	<p style="text-align: right;">Page 228</p> <p>1 JOHN W. HILL</p> <p>2 recovery plans by various stakeholders, no clear</p> <p>3 implementation?</p> <p>4 A. You know, what I meant by that was that</p> <p>5 there are a number of stakeholders within the City</p> <p>6 that have views what needs to be done to fix the</p> <p>7 City; and that outside of the Plan of Adjustment,</p> <p>8 there was really no clear -- there was no clear</p> <p>9 implementation strategy for the individual line</p> <p>10 items that were in the recovery plan at that</p> <p>11 point.</p> <p>12 There are plans, but when you move to</p> <p>13 implementation, it's a lot more detailed than the</p> <p>14 plans, and that's what I meant.</p> <p>15 Q. So there's people in the City government</p> <p>16 right now who have different ideas about what</p> <p>17 should be done in the city; is that correct?</p> <p>18 A. That wasn't what I meant by this. When</p> <p>19 I say various stakeholders, I meant the business</p> <p>20 community, others outside of City government. And</p> <p>21 that's what I meant by stakeholders.</p> <p>22 Q. Are there differences of opinion that</p> <p>23 could impact the restructuring plan moving forward</p> <p>24 with respect to what to do in the City?</p> <p>25 A. I can't think of any offhand.</p>

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<p style="text-align: right;">Page 229</p> <p>1 JOHN W. HILL 2 (Exhibit Hill-5 was marked for 3 identification.) 4 BY MR. SMITH: 5 Q. Let me hand you what's been marked as 6 Exhibit 5, which is an article entitled "Detroit 7 CFO says Post-Bankruptcy Oversight Critical for 8 City." And this article is dated April 23, 2014. 9 The second paragraph, they have a quote 10 from you, "I believe the post bankruptcy structure 11 is absolutely critical, and that right now is a 12 big question mark." 13 Do you see that? 14 A. Yes. 15 Q. And were you accurately quoted there? 16 A. At that point, it was a big question 17 mark, yes. 18 Q. And what did you mean by "there was a 19 big question mark"? 20 A. Legislation hadn't been passed at that 21 point on what the post-bankruptcy structure would 22 look like. 23 Q. Okay. And then over on the next page, 24 Page 2, there's a paragraph. It's the third 25 paragraph down, it says, "Hill said there were</p>	<p style="text-align: right;">Page 231</p> <p>1 JOHN W. HILL 2 BY MR. SMITH: 3 Q. I'm going to hand you a copy of an email 4 that's been marked as Exhibit 6. And I wanted to 5 ask you about your email that's beginning in the 6 middle of the page. And it says, "Kevyn just 7 checking on an issue here. I was told that the 8 Mayor apparently told you CM and EY stated that 9 the Plan of Adjustment 10-year plan forecast is 10 unrealistic and cannot be achieved." 11 Did you write that? 12 A. Yes. 13 Q. And CM is Conway MacKenzie? 14 A. Yes. 15 Q. And EY is Ernst & Young? 16 A. Yes. 17 Q. And who told you that the Mayor had 18 indicated that the forecast from Ernst & Young was 19 unrealistic and couldn't be achieved? 20 A. I don't remember. I don't remember who 21 told me. 22 Q. Do you remember why that was? 23 A. I -- I -- I don't. I really don't 24 remember. 25 Q. Who is Stacy Fox?</p>
<p style="text-align: right;">Page 230</p> <p>1 JOHN W. HILL 2 other options for water and sewer services such as 3 privatization and then a final decision would be 4 made before Orr leaves. " 5 Do you see that? 6 A. Yes. Yeah. I'll wait for your 7 question. 8 Q. Well, I'm just wondering whether, is it 9 the case that the decision about what to do with 10 the water and sewer privatization is going to be 11 resolved before Mr. Orr leaves or not? 12 A. I don't remember saying before Orr 13 leaves, and I don't know when it's going to be 14 resolved. 15 Q. Did you testify at all with respect to 16 this legislation that's been passed? 17 A. No. 18 Q. Did you offer some written revisions to 19 the legislation, to the legislature or -- how was 20 your input communicated, I guess, is what I'm -- 21 A. It was communicated to the emergency 22 manager's team and to one individual in the 23 Mayor's office, Greg Tedder. 24 (Exhibit Hill-6 was marked for 25 identification.)</p>	<p style="text-align: right;">Page 232</p> <p>1 JOHN W. HILL 2 A. Stacy Fox is the deputy emergency 3 manager. 4 Q. Okay. 5 A. Subject to getting the right title, 6 she's the number two in the emergency manager's 7 office. 8 Q. Okay. And then the next paragraph, you 9 say, "I am of the opinion that if you look at 10 Detroit's history, any plan that has this many 11 initiatives and ramp-up periods would be 12 difficult." 13 Do you see that? 14 A. Yes. 15 Q. And do you agree that the Plan of 16 Adjustment here, because it has a lot of different 17 initiatives and there -- that the -- it's going to 18 be difficult to get all those initiatives going? 19 A. It's going to be difficult. It's not 20 going to be easy. 21 Q. And then you go on to say, "EY and CM 22 have consistently said significant execution risk 23 exists if the City does not change processes and 24 that the City must hire qualified people to 25 implement and move the City forward."</p>

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<p style="text-align: right;">Page 233</p> <p>1 JOHN W. HILL</p> <p>2 Do you see that statement?</p> <p>3 A. Yes.</p> <p>4 Q. And that's accurate?</p> <p>5 A. That's accurate.</p> <p>6 Q. And do you agree that there are</p> <p>7 significant execution risks with the Plan of</p> <p>8 Adjustment?</p> <p>9 A. I agree that there's execution risk.</p> <p>10 Q. Do you agree that it's significant?</p> <p>11 A. I agree that there's significant risk in</p> <p>12 executing the plan, yeah.</p> <p>13 Q. And then that was also Conway</p> <p>14 MacKenzie's view and Ernst & Young's view;</p> <p>15 correct?</p> <p>16 A. I don't know about the "significant"</p> <p>17 part. I do know that everyone knows that there</p> <p>18 are risks associated with implementing the plan.</p> <p>19 Q. Okay. And one -- one risk is the City</p> <p>20 has to higher qualified people to implement and</p> <p>21 move the City forward. We already talked about</p> <p>22 that; correct?</p> <p>23 A. Right.</p> <p>24 Q. The next paragraph, you say, "We are all</p> <p>25 focused on compensation. The compensation issue</p>	<p style="text-align: right;">Page 235</p> <p>1 JOHN W. HILL</p> <p>2 shrink the scope of its government services?</p> <p>3 A. I believe what I said here is that</p> <p>4 reducing what government does will ultimately take</p> <p>5 pressure off of implementation of the plan.</p> <p>6 Q. And what did you mean by that?</p> <p>7 A. By that I meant the government going</p> <p>8 through a process of deciding what it can do and</p> <p>9 what it cannot do, some of which is built into the</p> <p>10 plan, and then that will take pressure off of</p> <p>11 implementation.</p> <p>12 Q. Okay. What isn't put into the plan</p> <p>13 currently that you're contemplating that might</p> <p>14 take pressure off the Plan of Adjustment?</p> <p>15 A. I wasn't contemplating anything in</p> <p>16 particular here. I was contemplating a process of</p> <p>17 really taking another hard look at what government</p> <p>18 is doing and then deciding things that should or</p> <p>19 should not be done by government.</p> <p>20 Q. You think that by reducing the services</p> <p>21 Detroit provides could make the Plan of Adjustment</p> <p>22 more feasible?</p> <p>23 A. I don't know that, reducing the scope of</p> <p>24 services. It could be reducing how the</p> <p>25 services -- or changing how the service is</p>
<p style="text-align: right;">Page 234</p> <p>1 JOHN W. HILL</p> <p>2 has long been discussed in all levels as a very</p> <p>3 real issue in the forecast."</p> <p>4 Do you see that?</p> <p>5 A. Yes.</p> <p>6 Q. And what is the compensation issue?</p> <p>7 A. It's the -- the compensation issue I'm</p> <p>8 referring to here is the ability to attract people</p> <p>9 at the wages that are in the plan.</p> <p>10 Q. And is there a concern that the wages in</p> <p>11 the plan might be too low and they might have to</p> <p>12 be increased in order to attract qualified people</p> <p>13 to fill these positions?</p> <p>14 A. There's a concern on the level of the</p> <p>15 wages, yes.</p> <p>16 Q. Has any modeling been done with higher</p> <p>17 wage rates?</p> <p>18 A. Modeling? Not really, no.</p> <p>19 Q. The -- on the next page, you say, "I</p> <p>20 believe reducing what government does will</p> <p>21 ultimately take pressure off the Plan of</p> <p>22 Adjustment."</p> <p>23 Do you see that?</p> <p>24 A. Uh-huh.</p> <p>25 Q. And do you believe that Detroit needs to</p>	<p style="text-align: right;">Page 236</p> <p>1 JOHN W. HILL</p> <p>2 provided.</p> <p>3 So both are contemplated in this</p> <p>4 statement.</p> <p>5 Q. Isn't it true that Detroit is providing</p> <p>6 a lot of services that other cities don't provide?</p> <p>7 A. I don't know all the services that are</p> <p>8 provided by other cities.</p> <p>9 Q. I mean, one example is Detroit has the</p> <p>10 transportation department that it's responsible</p> <p>11 for, whereas, other cities, it's not done by the</p> <p>12 City; it's done by a regional authority.</p> <p>13 A. Yeah, there are clearly other models for</p> <p>14 service delivery.</p> <p>15 Q. And isn't it true that Detroit is trying</p> <p>16 to provide a lot of services that other cities</p> <p>17 don't provide?</p> <p>18 A. A lot? I don't -- I don't -- I can't</p> <p>19 buy into the context of the sentence.</p> <p>20 Q. Is it true that Detroit is trying to</p> <p>21 provide services that other cities don't provide?</p> <p>22 MR. STEWART: Objection.</p> <p>23 THE WITNESS: That's a hard question to</p> <p>24 answer, because there are services that some</p> <p>25 cities provide that Detroit doesn't provide.</p>

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<p style="text-align: right;">Page 237</p> <p>1 JOHN W. HILL</p> <p>2 So you'd have to go service by service and</p> <p>3 compare city by city. And I don't know all</p> <p>4 of the services that are provided in other</p> <p>5 cities. I know Washington very well. And,</p> <p>6 again, I told you that's a state, city and a</p> <p>7 county. And then Detroit and some about</p> <p>8 Chicago and --</p> <p>9 BY MR. SMITH:</p> <p>10 Q. You also say in this email, "We can't</p> <p>11 put everything in the plan now and have no room to</p> <p>12 make further adjustments in response to</p> <p>13 negotiations."</p> <p>14 Do you see that?</p> <p>15 A. Yes.</p> <p>16 Q. And what did you mean when you were</p> <p>17 saying that you couldn't put "everything in the</p> <p>18 plan now"?</p> <p>19 A. A couple of things, meaning -- there I</p> <p>20 meant that there are always things that don't make</p> <p>21 it into the plan. And I think we talked about</p> <p>22 that earlier as well.</p> <p>23 There are opportunities and risks</p> <p>24 associated with those opportunities. And I'm just</p> <p>25 saying you can't -- I was just making a statement</p>	<p style="text-align: right;">Page 239</p> <p>1 JOHN W. HILL</p> <p>2 you is there's a reference to something along</p> <p>3 those lines and maybe you could tell me what it</p> <p>4 is.</p> <p>5 (Exhibit Hill-7 was marked for</p> <p>6 identification.)</p> <p>7 BY MR. SMITH:</p> <p>8 Q. Exhibit 7 is just an email from you that</p> <p>9 attaches a memorandum. And on the first page of</p> <p>10 the memorandum there's a reference to the</p> <p>11 July 2012 IRS audit that deemed the City's income</p> <p>12 tax system catastrophic. Do you see that?</p> <p>13 A. I see that.</p> <p>14 Q. Okay. And why was the IRS saying the</p> <p>15 City's income tax system was catastrophic?</p> <p>16 MR. STEWART: Objection.</p> <p>17 THE WITNESS: I don't know why, and I'd</p> <p>18 have to -- refer back to the audit.</p> <p>19 BY MR. SMITH:</p> <p>20 Q. Okay. The 42 million in delinquent</p> <p>21 receivables for the income tax. Do you see that?</p> <p>22 A. Yes.</p> <p>23 Q. Is that still the approximate number of</p> <p>24 the outstanding income tax that needs to be</p> <p>25 collected?</p>
<p style="text-align: right;">Page 238</p> <p>1 JOHN W. HILL</p> <p>2 here that you can't put everything you know into</p> <p>3 the plan because you haven't done the research to</p> <p>4 determine whether or not some of those items will</p> <p>5 really work and what impact those items will have.</p> <p>6 And so that's what I was referring to.</p> <p>7 Q. Do you know whether the City is taking a</p> <p>8 look at eliminating or reducing the scope of other</p> <p>9 services outside of what's in the plan?</p> <p>10 A. Outside of what's in the plan, I haven't</p> <p>11 been involved in any of those discussions.</p> <p>12 Q. Do you believe that it would be</p> <p>13 appropriate and a good idea for the City of</p> <p>14 Detroit to go through the services that it's</p> <p>15 providing and see if there are ones that it could</p> <p>16 eliminate or cut back other than what's in the</p> <p>17 Plan of Adjustment?</p> <p>18 A. I believe that's an ongoing process that</p> <p>19 will be a part of what any city does as they move</p> <p>20 forward in response to various factors.</p> <p>21 Q. Are there discussions with the City to</p> <p>22 get assistance with the audit function for taxes?</p> <p>23 A. Could you ask the question again.</p> <p>24 Q. Here. I'll just hand you a copy of this</p> <p>25 document, that the only reason I'm giving it to</p>	<p style="text-align: right;">Page 240</p> <p>1 JOHN W. HILL</p> <p>2 A. I don't know the exact number, no.</p> <p>3 Q. The next page is the one I was referring</p> <p>4 to, Page 2. Do you see in the middle, there's a</p> <p>5 bullet under Section 3 that says "State</p> <p>6 Assistance: Continued Discussions with State."</p> <p>7 Do you see that?</p> <p>8 A. Uh-huh.</p> <p>9 Q. And the future tax strategy, do you know</p> <p>10 what discussions are being discussed with the</p> <p>11 State about the future tax strategy?</p> <p>12 A. Yeah. That's a reference to the -- you</p> <p>13 see the State assistance here. That's a reference</p> <p>14 to the piggyback tax as well.</p> <p>15 Q. Is that all that it's in reference to,</p> <p>16 or is there other future tax strategy?</p> <p>17 A. I don't know what else he meant by that</p> <p>18 bullet.</p> <p>19 Q. The third one says "Assistance with</p> <p>20 compliance/audit function with the State of</p> <p>21 Michigan."</p> <p>22 Do you know what that's referring to?</p> <p>23 A. It's referring to the piggyback portion.</p> <p>24 If we are a part of the State's income tax filing,</p> <p>25 then when the State is doing its compliance work,</p>

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<p style="text-align: right;">Page 241</p> <p>1 JOHN W. HILL</p> <p>2 it would also help with compliance work over --</p> <p>3 for the District as well.</p> <p>4 Q. And does piggybacking --</p> <p>5 A. I'm sorry. For Detroit as well.</p> <p>6 Q. Does piggybacking the tax have the</p> <p>7 potential to not only increase revenue but</p> <p>8 decrease costs for the City?</p> <p>9 A. Yes, it does.</p> <p>10 Q. And how would it decrease costs?</p> <p>11 A. We would not have to -- we would not be</p> <p>12 actually processing the returns ourselves. They</p> <p>13 would be processed by the State. And from a</p> <p>14 compliance standpoint, there would be synergy</p> <p>15 between the State's compliance and ours.</p> <p>16 There would be a cost. So there would</p> <p>17 be a cost to the State for doing this. So I don't</p> <p>18 know -- so I don't know what that cost is going to</p> <p>19 be.</p> <p>20 Q. Okay. I'm done with that document.</p> <p>21 (Exhibit Hill-8 was marked for</p> <p>22 identification.)</p> <p>23 BY MR. SMITH:</p> <p>24 Q. Why don't I hand you a copy of another</p> <p>25 email that I'll mark as Exhibit 8, which is</p>	<p style="text-align: right;">Page 243</p> <p>1 JOHN W. HILL</p> <p>2 A. It would be the CFO.</p> <p>3 Q. And when you say the political forces</p> <p>4 that can demand changes in revenue forecasting,</p> <p>5 what are you talking about?</p> <p>6 A. One of the issues that existed in the</p> <p>7 District of Columbia that gave rise to the</p> <p>8 financial problems that the District had was</p> <p>9 elected officials making decisions about what the</p> <p>10 revenues were going to be that weren't supportable</p> <p>11 by either documents or projections and so forth</p> <p>12 and then creating budgets that would spend up to</p> <p>13 that level and the revenues wouldn't materialize.</p> <p>14 So revenue estimation to me is more of</p> <p>15 a -- is more of an art that is based on models and</p> <p>16 based on factors that are considered, and it's not</p> <p>17 a political decision. The political decision</p> <p>18 comes in when you want to change a revenue</p> <p>19 estimate from what's come out of that process.</p> <p>20 Q. Did you ever recommend that there be an</p> <p>21 independent revenue estimator for the City?</p> <p>22 A. I recommended as part of my -- that was</p> <p>23 one of the reasons why I recommended an</p> <p>24 independent CFO, so that all of the activities</p> <p>25 under the CFO would be independent politically.</p>
<p style="text-align: right;">Page 242</p> <p>1 JOHN W. HILL</p> <p>2 between you and Mr. Scorsone.</p> <p>3 And here you're -- in your email at the</p> <p>4 top, you ask "Are most of these other offices</p> <p>5 independent in some way from the political forces</p> <p>6 that could demand changes in revenue forecasting?"</p> <p>7 Do you see that?</p> <p>8 A. Yes.</p> <p>9 Q. And you're asking about an office of</p> <p>10 chief economist; is that correct?</p> <p>11 A. Yes.</p> <p>12 Q. Were you proposing that there be an</p> <p>13 independent office of chief economist in Detroit?</p> <p>14 A. I was exploring how those offices are</p> <p>15 set up. I was looking into the issue and looking</p> <p>16 into the issue of our revenue estimation process.</p> <p>17 Since this email, the legislation that</p> <p>18 created the Control Board also sets forward a</p> <p>19 revenue estimation process as well that would have</p> <p>20 to be implemented, which is different from the</p> <p>21 process we're currently using.</p> <p>22 Q. Okay. And what -- the revenue</p> <p>23 estimation process in the legislation, who is</p> <p>24 going to be responsible for doing revenue</p> <p>25 estimation?</p>	<p style="text-align: right;">Page 244</p> <p>1 JOHN W. HILL</p> <p>2 Q. Do you agree that political forces can</p> <p>3 lead to fiscal crisis?</p> <p>4 A. I believe that they can. It's possible.</p> <p>5 MR. SMITH: I'm going to hand you</p> <p>6 another exhibit, which is No. 9, another</p> <p>7 email that you're on.</p> <p>8 (Exhibit Hill-9 was marked for</p> <p>9 identification.)</p> <p>10 BY MR. SMITH:</p> <p>11 Q. Before I get to that document, do you</p> <p>12 have the document in front of you?</p> <p>13 A. No. 9?</p> <p>14 Q. Yeah.</p> <p>15 A. Yes.</p> <p>16 Q. Do you agree that in -- historically,</p> <p>17 political forces have contributed to fiscal crisis</p> <p>18 in Detroit?</p> <p>19 A. I don't know that. I mean -- yeah. I</p> <p>20 don't know. I can't say.</p> <p>21 Q. Okay. Back to Exhibit 9.</p> <p>22 I want to ask you about the email at the</p> <p>23 bottom of the page. It says "I'm sorry to have to</p> <p>24 hit John with this on his way in the door, but</p> <p>25 there are significant issues with our ability to</p>

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<p style="text-align: right;">Page 245</p> <p>1 JOHN W. HILL</p> <p>2 file a financial statement."</p> <p>3 Do you see that?</p> <p>4 A. Yes.</p> <p>5 Q. What were the issues the City was</p> <p>6 dealing with in terms of its ability to file a</p> <p>7 financial statement?</p> <p>8 A. At this point it was -- let me take a</p> <p>9 minute to read it.</p> <p>10 Q. Yeah, sure.</p> <p>11 MR. SMITH: Would you guys mind taking a</p> <p>12 break now?</p> <p>13 MR. STEWART: Do you want to do it right</p> <p>14 now, or do you want to finish your question?</p> <p>15 MR. SMITH: No --</p> <p>16 MR. STEWART: Right now is fine.</p> <p>17 MR. SMITH: I want to do it right now.</p> <p>18 MR. STEWART: That's fine.</p> <p>19 THE VIDEOGRAPHER: Going off the record</p> <p>20 at 3:03. This is the end of Tape No. 4.</p> <p>21 (Short break taken.)</p> <p>22 THE VIDEOGRAPHER: We are back on the</p> <p>23 record at 3:15. This is the beginning of</p> <p>24 Tape No. 5.</p> <p>25 BY MR. SMITH:</p>	<p style="text-align: right;">Page 247</p> <p>1 JOHN W. HILL</p> <p>2 people in Detroit who are acting as liaisons to</p> <p>3 the federal government, and Don Graves was one of</p> <p>4 the people that was involved.</p> <p>5 Q. Who are the other people that are acting</p> <p>6 as liaison with Detroit and the federal government</p> <p>7 to try to improve Detroit's fiscal situation?</p> <p>8 A. It was Don Graves, who is the person I</p> <p>9 dealt with more; and then Gina -- and I'm blanking</p> <p>10 on her last name. "Giacocoa" or something like</p> <p>11 that. But it's -- Gina is her first name.</p> <p>12 Q. What's being discussed, you know, why --</p> <p>13 between these liaisons with the federal government</p> <p>14 and the City of Detroit?</p> <p>15 A. Mostly assistance that the federal</p> <p>16 government might be able to provide in either</p> <p>17 easing restrictions on certain grants or extending</p> <p>18 periods of time on certain grants that the City</p> <p>19 has. So those are some of the types of</p> <p>20 discussions.</p> <p>21 Q. What kind of easing of restrictions are</p> <p>22 you discussing with the federal government?</p> <p>23 A. It depends on the particular grant.</p> <p>24 But, you know, some of the grants expire on</p> <p>25 certain days. So we would ask the federal</p>
<p style="text-align: right;">Page 246</p> <p>1 JOHN W. HILL</p> <p>2 Q. Mr. Hill, do you recall what the date of</p> <p>3 your testimony before Congress was regarding the</p> <p>4 D.C. fiscal crisis?</p> <p>5 A. I had many testimonies before Congress</p> <p>6 on the D.C. fiscal crisis.</p> <p>7 Q. Okay. I mean approximately what years.</p> <p>8 What range of years would your testimony have</p> <p>9 occurred in?</p> <p>10 A. 1992 through 1994. Yeah.</p> <p>11 Q. Okay. And you believe you went up there</p> <p>12 multiple times to testify?</p> <p>13 A. I know I went up there multiple times.</p> <p>14 Q. You know there's a deputy assistant</p> <p>15 Treasury secretary named Don Graves?</p> <p>16 A. Yes.</p> <p>17 Q. And he's actually moved out to Detroit,</p> <p>18 right, to help you with your problems?</p> <p>19 A. No. He's -- he hasn't moved to Detroit.</p> <p>20 Q. Okay.</p> <p>21 A. He's -- he's not there now.</p> <p>22 Q. Is there going to be -- is there some</p> <p>23 sort of federal office that's being set up in</p> <p>24 Detroit, though?</p> <p>25 A. It's not a federal office. There are</p>	<p style="text-align: right;">Page 248</p> <p>1 JOHN W. HILL</p> <p>2 government if it's possible to extend the date for</p> <p>3 those grants. And then others, we were attempting</p> <p>4 to get additional grant money from the federal</p> <p>5 government to be able to buy buses; and allowing</p> <p>6 certain moneys to be spent on those buses. But</p> <p>7 there's a whole -- there are a number of things</p> <p>8 that we're working with the federal government on.</p> <p>9 Q. Is the City asking the federal</p> <p>10 government for extensions on the grants because</p> <p>11 it's so far not been able to adequately use the</p> <p>12 grant funds within the expiration time period?</p> <p>13 A. That would be one of the reasons for it,</p> <p>14 yeah. Asking for extensions, yeah.</p> <p>15 Q. How much money is at risk of having to</p> <p>16 be repatriated back to the federal government from</p> <p>17 federal grants right now if you don't get the</p> <p>18 extensions?</p> <p>19 A. For the most part the federal government</p> <p>20 has been very helpful in that -- in that regard.</p> <p>21 I don't -- I don't have a dollar figure for you.</p> <p>22 Q. Is it millions of dollars?</p> <p>23 A. Yeah. The numbers, some of the</p> <p>24 grants -- yeah, it's more than a million dollars</p> <p>25 on some of -- yeah. I couldn't -- I couldn't</p>

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1 JOHN W. HILL

2 really -- other than saying that.

3 Q. What are the reasons that Detroit has
4 been unable to utilize effectively grant money
5 within the time limits under the grants?

6 A. One of the principal reasons has been
7 planning on actually how the grant is going to be
8 expended. And so because of the long procurement
9 period that the City has in some of these items
10 that they're buying, if you take a certain amount
11 of time and do the plan and then you take a
12 certain amount of time and procure, you could be
13 quite a bit into the grant time period before the
14 grant actually expires.

15 So that would be one of the possible
16 reasons.

17 Q. Okay. And what are the additional grant
18 moneys you've been discussing with the federal
19 government?

20 A. I know that there were discussions about
21 grant money for the M1 that was part of the
22 discussion, M1 line. And buses was a major one.
23 There's a whole -- there's a list of items.

24 Q. Is there a long list of potential
25 additional grants that you've been discussing with

1 JOHN W. HILL

2 contain new money for the City?

3 A. Yes.

4 Q. And is there a list of these grants
5 someplace?

6 A. There is a list.

7 Q. Who has got that list?

8 A. There's a list of requests that have
9 been made to the feds on -- for help. So there's
10 a master list of those requests, and that's being
11 maintained now by the Mayor's staff. Would be
12 Lisa Howze, who is the Mayor's -- used to be the
13 Mayor's chief of staff, now the Mayor's liaison to
14 Washington and to Lansing.

15 Q. And do you expect that the federal
16 government is going to grant all these new grants
17 and grant you the extensions on the old grants?

18 A. I don't know. I don't know.

19 Q. When do you think the City will know
20 about that?

21 A. I don't know. It's their process.

22 Q. Who is the most involved with that
23 process?

24 A. Right now would be the Mayor's staff.
25 (Exhibit Hill-10 was marked for

1 JOHN W. HILL

2 the federal government?

3 A. There's a question as to whether or not
4 these are additional grants or whether it's
5 allowing us to keep money that we would have lost
6 otherwise, you know. So there's a long list of --
7 there's a list of grants that would result in the
8 City having more money than it would have if the
9 grants -- if -- with the expiration of the grants.

10 Q. Some of the grants, the issue is whether
11 the City is going to lose money if the grant
12 expires without the City using the funds; correct?

13 A. Yes.

14 Q. And then some of the grants you're
15 talking with the federal government about would be
16 new money --

17 A. Yes.

18 Q. -- that would be incremental; correct?

19 A. Yes.

20 Q. And do you have an idea of what the
21 total of the new money is?

22 A. I have not added it up, no. I've not.

23 Q. Are there a number of grants that fall
24 into both categories, either grants where the City
25 could lose money if it expires and grants that

1 JOHN W. HILL

2 identification.)

3 BY MR. SMITH:

4 Q. I'm going to hand you Exhibit 10, which
5 is another exhibit. It's another email that's to
6 you.

7 You got that email, Exhibit 10?

8 A. Yes, I do.

9 Q. Before I go to the email, is the federal
10 government being cooperative with the City and
11 trying to help them with its fiscal situation?

12 A. The federal government has been
13 cooperative.

14 Q. And are there activities the federal
15 government is engaged in other than the grant
16 activities that we've discussed, other ways the
17 federal government is helping the City?

18 A. That's the -- that's the principal way.
19 There are other activities that are going on --
20 for instance, the federal government was
21 instrumental in helping to pull together the CIOs
22 of major cities and getting them here. They were
23 very helpful with that. It was paid for by
24 foundations. And out of that came a report on the
25 City's IT infrastructure. So, yeah, there are

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1 JOHN W. HILL
2 **other -- there are other ways as well.**
3 Q. I mean, is there anything you've asked
4 from the federal government that they've refused
5 to give you?
6 **A. I know that there are things that are on**
7 **the list of items of requests that have not been**
8 **filled. Whether they ultimately will be or not**
9 **or -- I don't know the current status of those**
10 **items because I'm not maintaining the list now.**
11 Q. Do you know what the biggest
12 dollar-value items are pending with the federal
13 government?
14 **A. Again, the biggest dollar-value items**
15 **were related to grants.**
16 Q. And do you know which ones those are?
17 **A. No. No. I couldn't say.**
18 Q. Back to Exhibit 10. This is from John
19 Naglick to you. And could you describe who John
20 Naglick is.
21 **A. John Naglick is the head of finance.**
22 **He's the finance director and also interim**
23 **treasurer for the City.**
24 Q. He says "As we've discussed, there's
25 substantial evidence that the City's risk

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1 JOHN W. HILL
2 management department is not properly protecting
3 the City's balance sheet."
4 Do you see that?
5 **A. Yes.**
6 Q. And it goes on to say "As Gary Brown
7 indicated at our last staff meeting, the Kessler
8 report will likely identify significant fraudulent
9 workers' compensation claims activity."
10 Do you see that?
11 **A. Yes.**
12 Q. And the City is aware that there is
13 significant fraudulent workers' compensation
14 claims that are being made to the City and paid
15 out to people; correct?
16 **A. Yes.**
17 Q. And down towards the bottom of this
18 email, it says "While difficult to quantify, the
19 City's TCOR is likely in excess of \$50 million per
20 year."
21 What is the TCOR?
22 **A. I don't know what that stands for. I**
23 **know what it means, though.**
24 Q. Actually, the prior sentence it says
25 "total cost of risk."

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1 JOHN W. HILL
2 **A. Right.**
3 Q. Looks like that's how they're --
4 **A. Yeah. I -- yeah.**
5 Q. Did the City quantify \$50 million of
6 fraudulent workers' compensation claims or --
7 **A. It was -- this too is a projection based**
8 **on the report, the Kessler report that's mentioned**
9 **in here that could potentially still be there.**
10 **So, yeah, this is -- that's an acronym.**
11 Q. And does -- is it fair to say that the
12 City -- by eliminating fraudulent workers'
13 compensation claims, the City could save millions
14 of dollars; correct?
15 **A. We believe that and are moving to do**
16 **that as well.**
17 Q. Do you have any idea why the City has
18 been paying all these fraudulent workers'
19 compensation claims?
20 **A. It was a lack of controls over that**
21 **particular area, is what I can say.**
22 **(Exhibit Hill-11 was marked for**
23 **identification.)**
24 BY MR. SMITH:
25 Q. Exhibit 11 I'm going to hand you is a

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1 JOHN W. HILL
2 memorandum dated April 16th, 2014. I don't know
3 if you've seen this before. It was cc'd to you.
4 Does this look familiar?
5 **A. Yes, it does.**
6 Q. I just want to ask you a question about
7 the -- well, first, about this document.
8 Was this -- this is the first time that
9 the City Council was being informed about exactly
10 what was in the Plan of Adjustment?
11 **A. No. I wouldn't say that.**
12 Q. What was the point of this document --
13 or purpose of this document?
14 **A. Their office did a review of the Plan of**
15 **Adjustment. I don't know why it was actually**
16 **done, but they -- their office did a review of it.**
17 Q. Okay. Page 2, the little i, the last
18 bullet on the list of bullets there, it says
19 "Talks with President Obama's Administration could
20 free up another 100 million the City can divert
21 from blight remediation to fund pension costs."
22 Do you see that?
23 MR. STEWART: I'm lost.
24 MR. SMITH: This Page 2, little i.
25 MR. STEWART: Oh, I see. I don't know

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<p style="text-align: right;">Page 257</p> <p>1 JOHN W. HILL</p> <p>2 if it's a little i. You mean the last bullet</p> <p>3 point?</p> <p>4 MR. SMITH: Yeah. I mean, I'm saying</p> <p>5 it's Page 2, but it's the --</p> <p>6 MR. STEWART: I got it.</p> <p>7 MR. SMITH: It's ii --</p> <p>8 MR. STEWART: Okay.</p> <p>9 MR. SMITH: -- is what I was trying to</p> <p>10 say.</p> <p>11 You got it? Is everybody on the second</p> <p>12 page?</p> <p>13 MR. STEWART: I think it's this one</p> <p>14 right here.</p> <p>15 THE WITNESS: Yeah, yeah. Okay.</p> <p>16 BY MR. SMITH:</p> <p>17 Q. Do you see that statement?</p> <p>18 A. Uh-huh.</p> <p>19 Q. Do you know what money is being</p> <p>20 discussed here, the 100 million that could be</p> <p>21 freed up to divert from blight remediation to fund</p> <p>22 pension costs?</p> <p>23 A. I know what they're -- I know what</p> <p>24 they're talking about here. There were talks with</p> <p>25 the Administration about additional funding for</p>	<p style="text-align: right;">Page 259</p> <p>1 JOHN W. HILL</p> <p>2 City in grants for blight?</p> <p>3 A. No. That's the extent of my knowledge</p> <p>4 of that.</p> <p>5 Q. Okay. Have there been any changes to</p> <p>6 the City charter to try to improve the City's</p> <p>7 ability to deal with fiscal crisis?</p> <p>8 A. Yes.</p> <p>9 Q. What changes have those been?</p> <p>10 A. The legislation that was passed that</p> <p>11 implements the CFO's office and the Control Board</p> <p>12 would be a change to the City's charter.</p> <p>13 Q. In what way?</p> <p>14 A. It would create a CFO that doesn't exist</p> <p>15 in the charter, and it would create a relationship</p> <p>16 between the City and that Control Board that</p> <p>17 obviously doesn't exist in the charter.</p> <p>18 Q. And did the City of Detroit request that</p> <p>19 the Legislature pass that legislation?</p> <p>20 A. The Mayor supported the legislation.</p> <p>21 Q. Okay. And can you give me any</p> <p>22 explanation why the City of Detroit didn't have</p> <p>23 the Legislature include in that legislation</p> <p>24 measures to increase the City's revenues, such as</p> <p>25 increasing tax rates or doing withholding or some</p>
<p style="text-align: right;">Page 258</p> <p>1 JOHN W. HILL</p> <p>2 blight remediation, but the Council would not</p> <p>3 determine how that money would be used. It's --</p> <p>4 by any estimate, the cost of removing blight is</p> <p>5 much greater than the resources that are</p> <p>6 available.</p> <p>7 So it's not clear to me that additional</p> <p>8 blight funding from the federal government would</p> <p>9 result in other changes to the plan.</p> <p>10 But that's what they're saying.</p> <p>11 Q. But what was the \$100 million of</p> <p>12 potential additional blight money --</p> <p>13 A. It was a grant -- I think there was a --</p> <p>14 there were discussions about a grant from the feds</p> <p>15 for an additional 100 million.</p> <p>16 Q. And where do those discussions stand</p> <p>17 now?</p> <p>18 A. I don't know the current status of that.</p> <p>19 Q. I mean, has -- the City hasn't gotten</p> <p>20 this money yet and incorporated it into its</p> <p>21 forecast, I take it?</p> <p>22 A. I don't know. I'd have to research it.</p> <p>23 Q. Okay. Can you describe for me any more</p> <p>24 about what this \$100 million is that the Obama</p> <p>25 Administration was potentially going to give the</p>	<p style="text-align: right;">Page 260</p> <p>1 JOHN W. HILL</p> <p>2 of these other activities that could be used to</p> <p>3 increase revenues?</p> <p>4 A. Well, the package of bills did have</p> <p>5 additional money that would support the bankruptcy</p> <p>6 related to, you know, what was happening with DIA.</p> <p>7 So there were additional moneys as part</p> <p>8 of a package of bills.</p> <p>9 Q. And the City could have proposed</p> <p>10 additional measures in the legislative package to</p> <p>11 increase tax rates if it wanted; correct?</p> <p>12 A. Yes. The City could have proposed</p> <p>13 anything.</p> <p>14 Q. And do you have any idea why this -- I</p> <p>15 take it the City didn't propose additional</p> <p>16 revenue-generating measures other than what's in</p> <p>17 the legislation; correct?</p> <p>18 A. I know that there were discussions about</p> <p>19 additional revenue measures, and it was very</p> <p>20 unlikely that any additional measures would pass</p> <p>21 based on my discussions with the Mayor.</p> <p>22 Q. What additional revenue measures were</p> <p>23 discussed?</p> <p>24 A. I don't know the specifics of the</p> <p>25 revenue measures. It's just in a conversation</p>

Pages 257 to 260

<p style="text-align: right;">Page 261</p> <p>1 JOHN W. HILL</p> <p>2 with the Mayor he indicated to me that he -- that</p> <p>3 he did not propose additional revenue measures in</p> <p>4 that legislation because of -- that it was very</p> <p>5 unlikely that any of that would pass.</p> <p>6 Q. But you and the Mayor didn't discuss</p> <p>7 increasing tax rates?</p> <p>8 A. No.</p> <p>9 Q. And you didn't discuss requiring</p> <p>10 withholding?</p> <p>11 A. No.</p> <p>12 Q. Or other --</p> <p>13 A. Well, the Mayor and I have had</p> <p>14 discussions about requiring withholding, and</p> <p>15 requiring withhold -- but -- and there was draft</p> <p>16 legislation to do that. He did not believe that</p> <p>17 would have passed as part of this package.</p> <p>18 Q. And when was the draft legislation on</p> <p>19 withholding? When was that drafted?</p> <p>20 A. It was prior -- I don't know the exact</p> <p>21 time, but I know there was a proposal, legislative</p> <p>22 proposal to have other jurisdictions -- have other</p> <p>23 companies outside of the District have to --</p> <p>24 companies outside of Detroit have to withhold for</p> <p>25 people who lived in Detroit.</p>	<p style="text-align: right;">Page 263</p> <p>1 JOHN W. HILL</p> <p>2 office of the CFO project status that I wanted to</p> <p>3 ask you about.</p> <p>4 (Exhibit Hill-12 was marked for</p> <p>5 identification.)</p> <p>6 BY MR. SMITH:</p> <p>7 Q. If you look at the page that has the</p> <p>8 Bates number beginning -- well, actually, the</p> <p>9 Bates numbers are up in the corner here, so it</p> <p>10 might be hard to find. It's the page with</p> <p>11 POA00537590, basically looking at the chart that</p> <p>12 your office prepared of various projects?</p> <p>13 A. Right.</p> <p>14 Q. You got that?</p> <p>15 A. Yes.</p> <p>16 Q. The first two issues are the CAFR and</p> <p>17 single audit, and you say you were getting an</p> <p>18 extension on both of those. Do you see that?</p> <p>19 A. Yes.</p> <p>20 Q. Have we already discussed those, the</p> <p>21 CAFR and the -- I'm trying to figure out what the</p> <p>22 single audit is that you were getting an extension</p> <p>23 on.</p> <p>24 A. The single audit is the report that</p> <p>25 comes after and that's done after the CAFR, which</p>
<p style="text-align: right;">Page 262</p> <p>1 JOHN W. HILL</p> <p>2 Q. And was that legislation introduced at</p> <p>3 all?</p> <p>4 A. I don't know.</p> <p>5 Q. Did the City of Detroit support the</p> <p>6 draft legislation for requiring withholding?</p> <p>7 A. Yeah. The Mayor is supportive of that</p> <p>8 legislation. But it's withholding for all -- the</p> <p>9 way that it's crafted, it's withholding for all</p> <p>10 cities. It's not just for Detroit.</p> <p>11 Q. I mean, do you know whether there are</p> <p>12 plans to reintroduce -- or introduce the draft</p> <p>13 legislation that's been drafted?</p> <p>14 A. It is a proposal that the Mayor would</p> <p>15 like to have pass.</p> <p>16 Q. And who drafted the legislation? Was it</p> <p>17 somebody in the Legislature?</p> <p>18 A. I don't know. I don't know who drafted</p> <p>19 it.</p> <p>20 Q. Okay. Did the City draft the</p> <p>21 legislation?</p> <p>22 A. I don't know who drafted it.</p> <p>23 Q. I'm going to mark for you another</p> <p>24 document that's Exhibit 12, which is a -- it's got</p> <p>25 some documents attached, one of which is this</p>	<p style="text-align: right;">Page 264</p> <p>1 JOHN W. HILL</p> <p>2 is a review of internal controls around grants,</p> <p>3 grant's management.</p> <p>4 Q. Why were you getting an extension on</p> <p>5 that?</p> <p>6 A. Because it's based on the CAFR, so the</p> <p>7 CAFR has to be audited first; and then there's the</p> <p>8 audit of -- there's a single audit after that.</p> <p>9 Q. And the next-to-last item on this page</p> <p>10 is "Determine if taxpayers who have applied for</p> <p>11 property tax relief meet state and local</p> <p>12 guidelines. The City is currently identifying</p> <p>13 additional resources."</p> <p>14 Do you see that?</p> <p>15 A. Yes.</p> <p>16 Q. What's that item about?</p> <p>17 A. It's an item to take a look at whether</p> <p>18 or not all of the people that are getting hardship</p> <p>19 exemptions for taxes actually deserved the</p> <p>20 hardship exemptions, so it's actually a review of</p> <p>21 all of those taxpayers who have applied for</p> <p>22 property tax relief to make sure that they qualify</p> <p>23 for that.</p> <p>24 Q. And is the review of hardship exemptions</p> <p>25 for property taxes relief ongoing?</p>

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1 JOHN W. HILL

2 **A. Yes.**

3 Q. And are you finding that there are

4 people who are improperly taking hardship

5 exemptions?

6 **A. I haven't gotten a report on the status**

7 **of this yet.**

8 Q. When is that anticipated to be

9 completed?

10 **A. 12/31 of this year, the end of this**

11 **year.**

12 Q. The next page, it mentions replacing the

13 current income tax system with city tax.

14 Do you see that?

15 **A. Yes.**

16 Q. You already did that; right?

17 **A. Yes.**

18 Q. What's the benefit to the City in terms

19 of revenue or cost -- increased revenue or

20 decreased cost of that measure?

21 **A. It's certainly having -- having this --**

22 **everyone on the city tax system, and a lot of**

23 **jurisdictions across Michigan are using city tax.**

24 **So at -- it -- certainly, it will help**

25 **us to be able to have that data that's in the**

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2 **system that can be accessed and then can be used**

3 **to -- to follow up on doing delinquent taxpayers**

4 **and being able to compare tax data to other types**

5 **of data that we have in the City to see if there**

6 **are other ways to collect on the taxes.**

7 Q. And was that just completed in May?

8 **A. Yes.**

9 Q. And then before we get to the next item,

10 is it true that the City believes that there are a

11 number of people who are taking hardship

12 exemptions for the property taxes that shouldn't

13 be taking them?

14 **A. The City does believe that there are**

15 **some people who are taking hardship exemptions**

16 **that should not. That's why we're doing the**

17 **review.**

18 Q. Does the City believe that there are

19 speculators or slumlord types who are avoiding

20 paying property taxes in the city?

21 **A. I've not heard that.**

22 Q. Have you heard that there are people who

23 just don't pay their property taxes and then they

24 allow the properties to go into foreclosure and

25 buy them back without paying the property taxes?

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2 **A. I have heard that. I don't know the**

3 **extent of that.**

4 Q. Has the City taken any measures to

5 prevent that, such as forbidding people who owe

6 taxes from bidding on the properties in the

7 auctions?

8 **A. I know that that was a -- I know that**

9 **that was a proposal. I don't know if that's been**

10 **implemented yet.**

11 Q. The next item is, "Identify and follow

12 up with businesses that are believed to be either

13 under-withholding or not reporting properly."

14 Do you see that item?

15 **A. Which one?**

16 Q. It's the next item under city tax.

17 **A. Uh-huh.**

18 Q. Does the City believe that there are

19 businesses who are not reporting properly or who

20 are not withholding all the taxes that they should

21 be?

22 **A. Yes.**

23 Q. And is there an effort that the City has

24 initiated to try to correct that problem?

25 **A. Yes.**

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1 JOHN W. HILL

2 Q. Is that still ongoing?

3 **A. That is ongoing.**

4 Q. Have you gotten any reports of the

5 results of that?

6 **A. I don't have the status report on that**

7 **right now, but I know it is ongoing.**

8 Q. Is that due to be done by the end of the

9 year?

10 **A. Yes.**

11 Q. The next item is, "Collect delinquent

12 income taxes."

13 There's obviously an ongoing effort by

14 the City to try to do that; correct?

15 **A. Yes.**

16 Q. And when do you contemplate that that

17 effort will be complete? Or is that never

18 complete?

19 **A. There's an ongoing element of it, but**

20 **this particular project would be completed in**

21 **December.**

22 Q. Okay. And the next item talks about the

23 piggyback -- I see what -- I see.

24 The next item is on hold pending the

25 piggyback; is that correct?

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1 JOHN W. HILL
 2 **A. Yes.**
 3 Q. And then two items down, it says,
 4 "Determine strategic and innovative ways to reduce
 5 cost."
 6 Do you see that?
 7 **A. Yes.**
 8 Q. Does the City believe that there are
 9 further costs reductions that could occur in
 10 purchasing?
 11 **A. Yes. And -- you mean "further," beyond**
 12 **what's anticipated in the plan?**
 13 Q. Yeah.
 14 **A. I don't know if it's beyond what's**
 15 **anticipated in the plan.**
 16 Q. The next one is outsourcing
 17 initiatives -- it's two down, outsourcing
 18 initiatives or purchasing. It says, "Complete
 19 outsourcing initiatives to improve operations and
 20 services."
 21 Do you see that?
 22 **A. Yes.**
 23 Q. Is the City contemplating outsourcing
 24 some of the purchasing services?
 25 **A. This isn't outsourcing -- these aren't**

1 JOHN W. HILL
 2 **outsourcing initiatives for purchasing. These are**
 3 **outsourcing initiatives for the City that**
 4 **purchasing would be involved in.**
 5 Q. What initiatives are those?
 6 **A. Well, the ones that are here, you know,**
 7 **trash services, custodial services. The DOT cash**
 8 **room is one that was outsourced. And then the**
 9 **other one was to look at the fleet facilities and**
 10 **the possibility of outsourcing park maintenance.**
 11 **But those are all not in purchasing, but you have**
 12 **to go through purchasing to outsource them.**
 13 Q. So the City is looking currently at
 14 outsourcing fleet facilities and park maintenance;
 15 is that correct?
 16 **A. At the time of this -- those were items**
 17 **that were being looked at.**
 18 Q. Okay. Is the City still looking at
 19 that, or what's the status of those potential
 20 outsourcing activities?
 21 **A. Well, the park maintenance activity was**
 22 **outsourced. Part of it was outsourced to other**
 23 **organizations without additional costs so that**
 24 **having churches actually take care of parks, so**
 25 **that was outsourcing that maintenance to them.**

1 JOHN W. HILL
 2 **And then other ones -- still looking at**
 3 **the custodial services, outsourcing, the cash room**
 4 **was outsourced, and trash was outsourced.**
 5 **So -- and -- and there's a committee**
 6 **that was recently established on to look at and**
 7 **manage fleet overall. And so there will be some**
 8 **recommendations that come out of that committee.**
 9 **I don't know what they'll be yet.**
 10 Q. What are the potential savings from
 11 fleet outsourcing?
 12 **A. I don't have a number for you.**
 13 Q. You would it be millions of dollars?
 14 **A. I don't know. I really don't know.**
 15 Q. Who is involved with that activity of
 16 looking at outsourcing of the fleet?
 17 **A. As I said, the whole fleet management is**
 18 **now going to a committee of people within**
 19 **government. I'm on that committee. Gary Brown's**
 20 **on that committee, a number of senior people in**
 21 **the City, to look at how we manage our fleet, and**
 22 **so we're going to be looking at a whole range of**
 23 **things. Outsourcing could come out of that. I**
 24 **don't know that it will.**
 25 Q. And the committee that's doing the

1 JOHN W. HILL
 2 investigation into ways to improve fleet
 3 operations, is that an activity that's above and
 4 beyond what's in the plan currently?
 5 **A. I'd have to look at the plan to see if**
 6 **it contemplates a fleet management committee, but**
 7 **I don't -- I don't know.**
 8 Q. Okay. There's no provision for
 9 outsourcing fleet maintenance, though, in the
 10 plan; correct?
 11 **A. I don't know. I'd have to look at the**
 12 **plan just to make sure.**
 13 Q. That's okay. It's not -- that's okay.
 14 It's not a school quiz.
 15 I mean, is the City hoping to improve
 16 revenues or decrease costs through further
 17 outsourcing activities beyond what's already in
 18 the plan?
 19 **A. Beyond what's in the plan? I couldn't**
 20 **name any beyond what's in the plan. But it would**
 21 **always be looking at ways to improve costs; and if**
 22 **outsourcing would do that, it would certainly be**
 23 **considered.**
 24 Q. Okay. The -- is the State challenging
 25 the City's ability to self-insure?

1 JOHN W. HILL

2 A. That has been challenged, yes.

3 Q. Why is that?

4 A. It was because of the, one, the reserves
5 that would be needed and the risk mitigation
6 procedures that would need to be done in order to
7 reduce the risk associated with that, with
8 insurance.

9 Q. I mean, is the State worried that the
10 City will not have financial resources to
11 self-insure even after the bankruptcy?

12 A. No, I wouldn't -- I wouldn't say that.
13 The State is -- we have to provide a plan to the
14 State that would show how we would manage the risk
15 associated with our insurance and in order for us
16 to continue to be self-insured.

17 Q. Okay. When does that get resolved by?

18 A. That one's almost completed.

19 Q. Okay. When there are delinquent fees
20 for solid waste pickup, does that impair the
21 City's balance sheet? Or now that that function
22 has kind of been outsourced, is that something
23 that the private service has to worry about?

24 A. I'd have to look at the structure of the
25 contract to answer that one, actually.

1 JOHN W. HILL

2 Q. Does the City have an effort to try to
3 improve collection of solid waste fees?

4 A. There have been a number of discussions
5 about improving the collection of solid waste
6 fees, including being able -- although you can
7 collect solid waste fees from the value of
8 property that's foreclosed on because the solid
9 waste fees do go with the property.

10 However, you can't -- my understanding
11 is that you can't force a property into
12 foreclosure solely for the solid waste fees. So I
13 know that there have been discussions about various
14 changes that could occur that might make it easier
15 to collect.

16 Q. Do you know if there are -- I mean, has
17 the City done any investigation to find out
18 whether there are City employees who owe the City
19 money, whether through not paying taxes or other
20 fees owed to the City?

21 A. Yeah. We are reviewing that. And part
22 of our systems changes will allow us to actually
23 be able to digitally check against all sources
24 within the City, which we do, and identify people
25 and contractors as well as employees who might owe

1 JOHN W. HILL

2 the City money and then offset. So we are doing
3 that.

4 Q. Are there City workers who currently owe
5 the City money, or you're not able to ascertain
6 that?

7 A. I'm not able to say yet, but I know
8 that's being researched right now.

9 Q. Do you have any idea what percentage of
10 City employees owe the City money that they're not
11 paying?

12 A. No.

13 Q. Do you know what percentage -- is there
14 a way for you find out whether there -- Detroit
15 Public School employees or State employees living
16 in the city that owe you money?

17 A. I don't know of one yet.

18 Q. Is there going to be any provision for
19 doing that or not really, that you're planning?

20 A. That isn't something that I've seen in a
21 plan yet, but I think it's -- it's -- it would be
22 also a way to look at -- at trying to collect.

23 Q. And how would you describe the morale of
24 the people who work for you? Is it good or bad?

25 A. The morale of all the people who work

1 JOHN W. HILL

2 for me?

3 Q. Well, I mean, if you have a general
4 impression.

5 MR. BARNOWSKI: Object to form.

6 BY MR. SMITH:

7 Q. Would you agree with this? Trying to
8 assess the morale of the workforce is a pretty
9 vague undertaking.

10 A. It's -- it's -- it's difficult to do
11 that, yes. I think that there are a number of
12 employees who are very excited about the future
13 and things that are coming. And part of my
14 responsibility is to be able to articulate what
15 that future looks like and make sure we get there.

16 But at the same time, we have to live in
17 today with the systems that we have that are very
18 paper and people-intensive to make them work.

19 Q. Have you fired any underperforming
20 workers?

21 A. I will say that there are people who are
22 no longer working with the office of the CFO for
23 performance reasons, yes.

24 Q. Okay. Did they quit or -- voluntarily
25 leave or?

<p style="text-align: right;">Page 277</p> <p>1 JOHN W. HILL</p> <p>2 A. I'll just say they're no longer -- no</p> <p>3 longer working.</p> <p>4 Q. And do you have specific people in mind</p> <p>5 or not really?</p> <p>6 A. I know of -- I know of people who are no</p> <p>7 longer working for performance reasons. I don't</p> <p>8 want to --</p> <p>9 Q. Identify them by name. That's fine.</p> <p>10 I'm wondering if there's any kind of systemized</p> <p>11 process that your department or the City is going</p> <p>12 to go through to try to weed out people who are</p> <p>13 not performing.</p> <p>14 A. Part of the plan on the human resource</p> <p>15 information system implementation is a citywide</p> <p>16 performance process. And we are -- in the</p> <p>17 structure of the CFO, office of the CFO, we've</p> <p>18 created a competency model that talks -- that</p> <p>19 speaks to the types of skills and competencies</p> <p>20 that are required for each level within the CFO's</p> <p>21 office.</p> <p>22 And we will be reviewing all of our</p> <p>23 existing employees against those skills and</p> <p>24 competencies that are needed for the new</p> <p>25 organization, so -- and that will be how we</p>	<p style="text-align: right;">Page 279</p> <p>1 JOHN W. HILL</p> <p>2 types of skills. And so part of it is just moving</p> <p>3 from the antiquated system that we have to a new</p> <p>4 system. That's a part of it.</p> <p>5 And then the skills and competencies</p> <p>6 that are needed in the new system are much more</p> <p>7 analytical, much more being able to research and</p> <p>8 query data and come up with recommended solutions</p> <p>9 and conclusions, and that takes a higher level of</p> <p>10 skill than inputting documents into a system.</p> <p>11 Q. Are there any barriers to, you know,</p> <p>12 weeding out people under this proposal plan in</p> <p>13 collective bargaining agreements or anything like</p> <p>14 that?</p> <p>15 A. There are challenges -- there are</p> <p>16 challenges, yeah.</p> <p>17 Q. What kind of challenges are there?</p> <p>18 A. The structure of how this might be done</p> <p>19 would be similar to the structure of how we're</p> <p>20 creating the office of the grants management</p> <p>21 office. And in the grants management office, the</p> <p>22 CFO is directed to create that office and to hire</p> <p>23 people and get it done.</p> <p>24 And so it is possible for us to be able</p> <p>25 to set up the office of the CFO in the same way</p>
<p style="text-align: right;">Page 278</p> <p>1 JOHN W. HILL</p> <p>2 identify people who -- hopefully, there will be a</p> <p>3 number of people who, with additional training,</p> <p>4 will be able to come up to those levels. There</p> <p>5 will be some who cannot, and they would -- they</p> <p>6 would no longer work in the office.</p> <p>7 Q. Is that citywide, or is that just within</p> <p>8 the CFO's office?</p> <p>9 A. Right now, we're doing it in the CFO's</p> <p>10 office. I call it almost a pilot. But it is a</p> <p>11 plan to roll that out citywide.</p> <p>12 Q. So over the course of the next several</p> <p>13 years, there will be a process where you have to,</p> <p>14 in order to be able to do the restructuring, weed</p> <p>15 out people that don't have the competencies that</p> <p>16 are required to continue working with the City and</p> <p>17 then hire new people; is that correct?</p> <p>18 A. There will be additional hiring, yes.</p> <p>19 And there will people who are identified as not</p> <p>20 having the skills to meet the new challenges.</p> <p>21 But when you -- and one of the issues is</p> <p>22 that when you change the financial management</p> <p>23 system, when you go from a system that's mostly</p> <p>24 paper-based or manual input to a system that is</p> <p>25 more digital and less input, you need different</p>	<p style="text-align: right;">Page 280</p> <p>1 JOHN W. HILL</p> <p>2 that the office of grants management was set up,</p> <p>3 and that could alleviate some of the barriers that</p> <p>4 might exist.</p> <p>5 Q. But then once you go citywide, would</p> <p>6 there be barriers to making the necessary</p> <p>7 replacements of employees?</p> <p>8 A. There are processes that we would have</p> <p>9 to go through, yes.</p> <p>10 Q. What kind of process?</p> <p>11 A. These are employees that have rights</p> <p>12 under their contracts, and you'd have to review</p> <p>13 their performance and go through that process. So</p> <p>14 that would have to being implemented.</p> <p>15 Q. And what percentage of the City</p> <p>16 workforce do you contemplate having to replace in</p> <p>17 order to accomplish the restructuring?</p> <p>18 A. Well, the -- I have -- I have no idea of</p> <p>19 how many people would be replaced, but the plan</p> <p>20 does call for a number of people to be added to</p> <p>21 the City workforce to be able to accomplish those</p> <p>22 items that are in the restructuring initiatives.</p> <p>23 Q. But you don't right now have an estimate</p> <p>24 of how many people would need to be let go in</p> <p>25 order to accomplish the restructuring?</p>

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<p style="text-align: right;">Page 281</p> <p>1 JOHN W. HILL</p> <p>2 A. No, I don't.</p> <p>3 Q. And do you have an estimate of how many</p> <p>4 people within your -- your department will have to</p> <p>5 be let go in order to accomplish the</p> <p>6 restructuring?</p> <p>7 A. I would prefer to wait until we do the</p> <p>8 specific reviews of everyone's skills against the</p> <p>9 criteria, and then I can give you a much better</p> <p>10 number.</p> <p>11 Q. And does the workforce, the City</p> <p>12 workforce know this process is going to be rolled</p> <p>13 out?</p> <p>14 A. Within finance?</p> <p>15 Q. Beyond your area, does the City</p> <p>16 workforce know that they might be subjected to</p> <p>17 this review for competency and potentially let go?</p> <p>18 A. I don't know how it's going to be rolled</p> <p>19 out across the City yet. That still remains to be</p> <p>20 seen and to have discussions with the Mayor about</p> <p>21 how the Mayor would like for that to be rolled</p> <p>22 out.</p> <p>23 What I'm rolling out is the</p> <p>24 implementation of the CFO's office, the office of</p> <p>25 the CFO. And so workers within the CFO's office</p>	<p style="text-align: right;">Page 283</p> <p>1 JOHN W. HILL</p> <p>2 process that I'm using in the CFO's office</p> <p>3 establishment, and he said that it should be</p> <p>4 looked at as a process that could help drive</p> <p>5 things citywide.</p> <p>6 Q. I'm going to hand you an Exhibit 13,</p> <p>7 which is the Ernst & Young letter.</p> <p>8 (Exhibit Hill-13 was marked for</p> <p>9 identification.)</p> <p>10 BY MR. SMITH:</p> <p>11 Q. Have you ever seen this letter before?</p> <p>12 A. Take a second to read it.</p> <p>13 Q. Yeah, sure.</p> <p>14 And I just have a quick question about</p> <p>15 Item No. 3 and maybe Item No. 1.</p> <p>16 Maybe -- I'm just -- I'm wondering if</p> <p>17 you're familiar with that document. If not, then</p> <p>18 I don't have questions for you about it.</p> <p>19 A. I haven't seen this document before.</p> <p>20 Q. Okay. Well, then we'll skip that one.</p> <p>21 (Exhibit Hill-14 was marked for</p> <p>22 identification.)</p> <p>23 BY MR. SMITH:</p> <p>24 Q. Exhibit 14 is another email chain. The</p> <p>25 top one, the email is from Stacy Fox to Charles</p>
<p style="text-align: right;">Page 282</p> <p>1 JOHN W. HILL</p> <p>2 know that changes are coming in the structure of</p> <p>3 the CFO's office.</p> <p>4 Q. But you believe that it's important to</p> <p>5 undergo a similar analysis to assess competencies</p> <p>6 of workers citywide and let them go in order to</p> <p>7 accomplish the restructuring?</p> <p>8 MR. STEWART: Objection.</p> <p>9 THE WITNESS: I don't believe that the</p> <p>10 restructuring is dependent upon that. I</p> <p>11 believe that the restructuring helps for that</p> <p>12 to happen with the projects that are included</p> <p>13 in the restructuring, such as the improvement</p> <p>14 of the human resource information system.</p> <p>15 That's a major part of evaluating staff</p> <p>16 and having a consistent way of evaluating</p> <p>17 staff across the City. So I think the Plan</p> <p>18 of Adjustment helps to make that happen.</p> <p>19 BY MR. SMITH:</p> <p>20 Q. And you anticipate that that will</p> <p>21 happen?</p> <p>22 A. Yes.</p> <p>23 Q. And is the Mayor all onboard with</p> <p>24 applying this review of workers citywide?</p> <p>25 A. The Mayor has said he supports the</p>	<p style="text-align: right;">Page 284</p> <p>1 JOHN W. HILL</p> <p>2 Moore, and it's regarding an AlixPartners</p> <p>3 document.</p> <p>4 Do you see that?</p> <p>5 A. Yes.</p> <p>6 Q. And the email says "The document I left</p> <p>7 on your table is from yesterday's meeting in</p> <p>8 New York. It contains suggested revisions to the</p> <p>9 10-year projections that would increase the amount</p> <p>10 of cash to go to satisfy creditor claims."</p> <p>11 Do you see that?</p> <p>12 A. Yes.</p> <p>13 Q. Was AlixPartners or somebody else</p> <p>14 involved in looking at the projections to see</p> <p>15 whether the amount of cash to satisfy creditor</p> <p>16 claims could be increased?</p> <p>17 A. I don't know of -- I've not seen the</p> <p>18 report, so I don't know what this is referring to.</p> <p>19 I'm not on this email here.</p> <p>20 Q. What's Stacy Fox's role with the City,</p> <p>21 again?</p> <p>22 A. She's the deputy emergency manager,</p> <p>23 reporting to Kevyn Orr.</p> <p>24 Q. So you were never given access to this</p> <p>25 document that they're discussing regarding</p>

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<p style="text-align: right;">Page 285</p> <p>1 JOHN W. HILL</p> <p>2 possible increased amounts of cash for the</p> <p>3 creditors?</p> <p>4 A. No, I've not seen that document.</p> <p>5 Q. Have you heard of AlixPartners being</p> <p>6 involved with the City?</p> <p>7 A. Yes.</p> <p>8 Q. What's their role with the City?</p> <p>9 A. I don't know their specific role. I</p> <p>10 just know that their name has been mentioned.</p> <p>11 Q. I mean, do you have any idea what they</p> <p>12 do? Or -- not really, it sounds.</p> <p>13 A. I could guess based on the</p> <p>14 conversations, but I don't want to guess.</p> <p>15 Q. Well, actually, why don't you guess --</p> <p>16 MR. STEWART: No, no, no.</p> <p>17 BY MR. SMITH:</p> <p>18 Q. -- just for me.</p> <p>19 A. No.</p> <p>20 Q. We can stipulate it's a guess --</p> <p>21 A. No.</p> <p>22 Q. -- but what is your thought?</p> <p>23 A. No.</p> <p>24 MR. STEWART: No, we're going to guess.</p> <p>25 THE WITNESS: We're not going to guess.</p>	<p style="text-align: right;">Page 287</p> <p>1 JOHN W. HILL</p> <p>2 BY MR. SMITH:</p> <p>3 Q. Who is Mr. Corley?</p> <p>4 A. Mr. Corley works for the Council. I</p> <p>5 forget his exact title, but he's one of the senior</p> <p>6 staff for the Council.</p> <p>7 Q. And you had responded "I would hold off</p> <p>8 on providing this if that [sic] possible until we</p> <p>9 discuss a couple of issues. I want to make sure</p> <p>10 people are not able to construct their own plan</p> <p>11 from the pieces before the plan becomes final."</p> <p>12 Do you see that?</p> <p>13 A. Yes.</p> <p>14 Q. And why didn't you want people to be</p> <p>15 constructing their own plan?</p> <p>16 A. Because the City has to have one plan</p> <p>17 that it needs to implement. This was -- what he</p> <p>18 was asking for in this email was the revenue</p> <p>19 initiatives that were already in the Plan of</p> <p>20 Adjustment that were below the line. So they</p> <p>21 were -- when I say "below the line," I mean they</p> <p>22 were part of the restructuring initiatives.</p> <p>23 And so there were actions that had to be</p> <p>24 taken in order for those revenues to be realized,</p> <p>25 such as changes in the collection and changes in</p>
<p style="text-align: right;">Page 286</p> <p>1 JOHN W. HILL</p> <p>2 I don't know.</p> <p>3 (Exhibit Hill-15 was marked for</p> <p>4 identification.)</p> <p>5 BY MR. SMITH:</p> <p>6 Q. Let me hand you another document,</p> <p>7 Exhibit 15.</p> <p>8 This one is a document -- an email that</p> <p>9 you wrote. And you're talking about -- there's an</p> <p>10 exchange about a list of items that are revenue</p> <p>11 initiatives in the Plan of Adjustment. And Corley</p> <p>12 was asking for items where revenues are likely to</p> <p>13 increase.</p> <p>14 Do you see that down at the bottom of</p> <p>15 the first page?</p> <p>16 A. Let me take a second and read it.</p> <p>17 Q. Yeah, sure.</p> <p>18 A. Okay.</p> <p>19 Okay.</p> <p>20 Q. Do you recall that Mr. Corley was asking</p> <p>21 for a list of the revenue initiatives to find out</p> <p>22 how revenues might increase?</p> <p>23 Do you recall that?</p> <p>24 A. Yes.</p> <p>25 MR. STEWART: Objection.</p>	<p style="text-align: right;">Page 288</p> <p>1 JOHN W. HILL</p> <p>2 the financial management system. There are a lot</p> <p>3 of other changes that are in those revenue items.</p> <p>4 So those are the ones that he was thinking about.</p> <p>5 So we wanted them to focus on the</p> <p>6 projections of the revenues that were a part of</p> <p>7 the revenue estimation conference and not focus on</p> <p>8 mixing revenues that were going to be achieved by</p> <p>9 actions that were being paid for and restructuring</p> <p>10 into those revenues.</p> <p>11 So it was to maintain the integrity of</p> <p>12 the comparisons. So that was the reason for doing</p> <p>13 it.</p> <p>14 Q. Have you had a concern that if -- that</p> <p>15 the City Council might try to expend more money</p> <p>16 unnecessarily if it thought that there were</p> <p>17 additional revenues?</p> <p>18 A. No. It wasn't about there being</p> <p>19 additional revenues, because the revenues that are</p> <p>20 in the Plan of Adjustment in the restructuring</p> <p>21 initiatives are in the plan. It's just that</p> <p>22 they're not being budgeted in the same way that</p> <p>23 other revenues are budgeted. So it's all the same</p> <p>24 revenue.</p> <p>25 (Exhibit Hill-16 was marked for</p>

Pages 285 to 288

1 **JOHN W. HILL**
 2 **identification.)**
 3 BY MR. SMITH:
 4 Q. Okay. I'm going to ask you about
 5 Exhibit 16. It's another email.
 6 In the middle of the page it says "I may
 7 need you to have another talk with the Chief. I
 8 suspect he is trying to do everything he can to
 9 give his officers more money. Don't think I have
 10 ever seen this many promotions all at once."
 11 Do you see that?
 12 **A. Yes.**
 13 Q. And was the chief of police in March of
 14 this year trying to get through a number of
 15 promotions that would increase compensation for
 16 police officers?
 17 **A. Yes.**
 18 Q. And you believed that that was an
 19 unusually high number of promotions?
 20 **A. It was a lot of promotions all at once;**
 21 **yes.**
 22 Q. And you believed that the chief of
 23 police was promoting officers in order to get them
 24 more money?
 25 **A. Well, it would get -- the result would**

1 **JOHN W. HILL**
 2 **be more money. And my concern was that we have a**
 3 **conversation with the chief since the chief also**
 4 **reports to Kevin. We both -- we both do.**
 5 **So my concern was that we have a**
 6 **conversation directly with the chief about the**
 7 **purpose of the promotions and have that**
 8 **discussion. And we did have that discussion.**
 9 Q. And you didn't want to approve the
 10 additional money for the promotions; correct?
 11 **A. Without having the discussion; that's**
 12 **right.**
 13 Q. Well, let me hand you this, another
 14 email on this topic. This is Exhibit 17.
 15 (Exhibit Hill-17 was marked for
 16 identification.)
 17 BY MR. SMITH:
 18 Q. In the middle of the page you say, "I am
 19 inclined not to approve this additional
 20 1.3 million as I have no idea where the Chief
 21 believes these funds are to come from. Wholesale
 22 promotions like this are only a way to provide
 23 additional salaries at a time when we are in
 24 negotiations and very tight in funds."
 25 Was that your accurate view at the time?

1 JOHN W. HILL
 2 **A. That was my view before we had the**
 3 **meeting with the chief.**
 4 Q. Did you approve the promotions after you
 5 met with the chief?
 6 **A. We approved the promotions after we met**
 7 **with the chief and found a funding source for**
 8 **them. If we weren't able to find the funding**
 9 **source, they wouldn't have been approved.**
 10 Q. What was the funding source that you
 11 found for these promotions?
 12 **A. There was a Plan of Adjustment item that**
 13 **the chief had wanted in his -- in the plan called**
 14 **a ShotSpotter. And it was approximately equal to**
 15 **the amount of the promotions. And so decided not**
 16 **to do the ShotSpotter and to use those resources**
 17 **for the promotions instead.**
 18 Q. Well, what's the ShotSpotter?
 19 **A. The ShotSpotter is a technology that**
 20 **will identify where -- that will identify exactly**
 21 **where a shot occurs in the city, depending upon**
 22 **where these ShotSpotters are located.**
 23 And they had them in the District of
 24 Columbia. And unless you also have the cameras
 25 that are associated -- are all around the city

1 JOHN W. HILL
 2 that are activated at the same time, all you know
 3 from the technology is where the shot occurred.
 4 You don't see someone leaving the scene. You
 5 don't get the kind of footage that you really need
 6 in order to follow up on the crime.
 7 So there would have to be other
 8 investments.
 9 Q. Is ShotSpotter a mechanism to try to
 10 improve the police response to shootings?
 11 **A. It's -- it's -- it is a -- it is an item**
 12 **that, coupled with other technology, can improve.**
 13 **But you have to have a whole system of cameras and**
 14 **other technology to know where -- to cover the**
 15 **scene once a shot is fired.**
 16 Q. And was the number of promotions that
 17 occurred in April of this year for the police
 18 higher than it had historically been?
 19 **A. Well, there had been a ban on**
 20 **promotions. And so after having a discussion with**
 21 **the chief about people who had been in positions**
 22 **for a long period of time had not been promoted,**
 23 **that's when we decided to -- that that's why they**
 24 **were all being done at one time.**
 25 Q. Was the ban on promotions to save the

<p style="text-align: right;">Page 293</p> <p>1 JOHN W. HILL</p> <p>2 City money?</p> <p>3 A. The City didn't have the funding to at</p> <p>4 that point be able to have the promotions.</p> <p>5 Q. Was money for the promotions taken from</p> <p>6 the quality-of-life funds?</p> <p>7 A. No.</p> <p>8 Q. Have there been other changes to the</p> <p>9 plan that were made at the request of the people</p> <p>10 in the city to try to move money around and fund</p> <p>11 different things?</p> <p>12 A. There have been changes to the plan as a</p> <p>13 result of further review. I mentioned one item</p> <p>14 that's in a later -- the initial plan -- each</p> <p>15 subsequent plan has changes in the plan as a</p> <p>16 result of a lot of different factors.</p> <p>17 Upon review of the Department of</p> <p>18 Transportation subsidy, we saw that the subsidy</p> <p>19 would probably be more than was indicated in the</p> <p>20 plan. So that amount was -- excuse me -- was</p> <p>21 increased in the last plan.</p> <p>22 Q. Have there been changes to the plan that</p> <p>23 have been made in order to pay workers more money?</p> <p>24 A. I don't -- I don't know of any.</p> <p>25 Q. What are the other changes to the plan</p>	<p style="text-align: right;">Page 295</p> <p>1 JOHN W. HILL</p> <p>2 Council still have to approve all the demolitions</p> <p>3 in the city?</p> <p>4 A. I don't know the specific process.</p> <p>5 (Exhibit Hill-19 was marked for</p> <p>6 identification.)</p> <p>7 BY MR. SMITH:</p> <p>8 Q. Let me ask you about another document</p> <p>9 that I'll mark as Exhibit 19. It's another one of</p> <p>10 these memorandum to the City Council. If you look</p> <p>11 at the page that has Bates number ending in 526,</p> <p>12 there's a list of issues and questions.</p> <p>13 A. Uh-huh.</p> <p>14 Q. Item No. 3, it says, "Please explain how</p> <p>15 much of DDOT's operational costs can be shifted to</p> <p>16 grants."</p> <p>17 What does that mean?</p> <p>18 A. What that means is, are there costs that</p> <p>19 could be covered by grants that aren't being</p> <p>20 covered now by grants.</p> <p>21 Q. Who decides how much the general fund</p> <p>22 subsidy to the Department of Transportation is?</p> <p>23 A. It's generally a function of -- well, it</p> <p>24 is a function of the projected expenses of the</p> <p>25 Department of Transportation based on a service</p>
<p style="text-align: right;">Page 294</p> <p>1 JOHN W. HILL</p> <p>2 that come to mind that have been made as a result</p> <p>3 of some department head's request?</p> <p>4 A. There aren't others that come to mind</p> <p>5 right now, but there have been -- there have been</p> <p>6 changes to the plan as it's made its way through</p> <p>7 in numerous reviews and versions that we've had.</p> <p>8 Q. Let me hand you a copy of what's been</p> <p>9 marked as Exhibit 18.</p> <p>10 (Exhibit Hill-18 was marked for</p> <p>11 identification.)</p> <p>12 BY MR. SMITH:</p> <p>13 Q. If you look at the first page after you</p> <p>14 turn over the cover page, there's a summary here.</p> <p>15 And Item No. 3 says, "Does BSEED have the capacity</p> <p>16 to administer an increase of 275 demolitions</p> <p>17 (61 percent) on an annual basis?"</p> <p>18 Do you see that?</p> <p>19 A. Yes.</p> <p>20 Q. And are there concerns that have been</p> <p>21 expressed about BSEED's capacity to process all of</p> <p>22 the demolitions that have to occur under the</p> <p>23 blight-remediation plan?</p> <p>24 A. Yes, there was a concern.</p> <p>25 Q. And has there also been -- does the City</p>	<p style="text-align: right;">Page 296</p> <p>1 JOHN W. HILL</p> <p>2 level. And then the difference in what the</p> <p>3 Department of Transportation collects in revenue</p> <p>4 has to be paid for by the general fund. So it's</p> <p>5 usually a calculation.</p> <p>6 Q. And who does that calculating?</p> <p>7 A. The budget -- our budget office and the</p> <p>8 budget office for DDOT. The budget people and</p> <p>9 DDOT.</p> <p>10 Q. Would that be -- would your office have</p> <p>11 anything to do with that?</p> <p>12 A. Yes. My budget department would, yes.</p> <p>13 Q. And the subsidy to the DDOT increased by</p> <p>14 20 million; correct?</p> <p>15 A. Yes.</p> <p>16 Q. And there was a debate over whether the</p> <p>17 subsidy to DDOT should increase; correct?</p> <p>18 A. Yes. The debate was whether the</p> <p>19 historic budgeted levels of the subsidy were</p> <p>20 really sustained over time. There was a budgeted</p> <p>21 level of the subsidy. And then over the years, at</p> <p>22 the end of the year it would be clear that that</p> <p>23 budgeted subsidy would not be sufficient to pay</p> <p>24 for the costs that needed to be paid for DDOT. So</p> <p>25 this was to bring the subsidy levels to what's</p>

Pages 293 to 296

<p style="text-align: right;">Page 297</p> <p>1 JOHN W. HILL</p> <p>2 closer to the real subsidy that occurs.</p> <p>3 Q. Okay. Why did the subsidy change by</p> <p>4 \$20 million if it's just a matter of simple</p> <p>5 calculation?</p> <p>6 A. It's -- it's not a matter of -- it's not</p> <p>7 a matter of simple calculation. There was</p> <p>8 actually a further review, and they looked at the</p> <p>9 historical subsidy levels and saw that those were</p> <p>10 insufficient to handle this. But it was a review</p> <p>11 of all of the numbers associated with this that</p> <p>12 led to the decision to increase the subsidy.</p> <p>13 Q. Did Conway MacKenzie or Ernst & Young</p> <p>14 participate in the decision to increase the</p> <p>15 subsidy to the Department of Transportation by</p> <p>16 \$20 million?</p> <p>17 A. Conway MacKenzie was involved, yes.</p> <p>18 Q. Did they advocate in increasing the</p> <p>19 subsidy to the Department of Transportation by</p> <p>20 \$20 million?</p> <p>21 A. It wasn't advocating. It was supporting</p> <p>22 it with analysis.</p> <p>23 Q. And the Department of Transportation had</p> <p>24 reduced costs by something like \$40 million</p> <p>25 through route reductions and changing its</p>	<p style="text-align: right;">Page 299</p> <p>1 JOHN W. HILL</p> <p>2 revenue fund.</p> <p>3 Q. Are there cost reductions that occurred</p> <p>4 in the Department of Transportation that were not</p> <p>5 applied to reduce the subsidy from the general</p> <p>6 fund?</p> <p>7 A. Not that I know of. Not that I know of.</p> <p>8 Q. Do you agree that the -- there's an</p> <p>9 ongoing effort by the City to attempt to increase</p> <p>10 revenues and decrease costs in the Department of</p> <p>11 Transportation; correct?</p> <p>12 A. Yes.</p> <p>13 Q. The City is going to increase fares</p> <p>14 because they're below market rates; correct?</p> <p>15 A. I know that's been discussed, the</p> <p>16 increase in fares; yes.</p> <p>17 Q. And the City has also discussed cutting</p> <p>18 costs because there's excess people in the</p> <p>19 department and inefficiency; correct?</p> <p>20 A. I don't know specifically that those are</p> <p>21 the reasons, but certainly there have been reviews</p> <p>22 to cut costs.</p> <p>23 Q. And to the extent revenues can be</p> <p>24 increased in the Department of Transportation and</p> <p>25 costs decreased, the amount of money that the</p>
<p style="text-align: right;">Page 298</p> <p>1 JOHN W. HILL</p> <p>2 scheduling; is that correct?</p> <p>3 A. There have been cost reductions as a</p> <p>4 result of the schedule -- yes, but I don't know</p> <p>5 that it's 40 million. But . . .</p> <p>6 Q. Why is it that all of the cost</p> <p>7 reductions in the DDOT don't flow through to the</p> <p>8 general fund?</p> <p>9 A. Because there's a subsidy. Because they</p> <p>10 don't cover -- the amount of money that is -- the</p> <p>11 amount of money that is generated does not cover</p> <p>12 all of the expenses. So to the extent that the</p> <p>13 expenses were not covered or that there was a</p> <p>14 surplus, then that would -- that would rest</p> <p>15 within -- that would stay within the fund. It's</p> <p>16 the way the fund operates.</p> <p>17 Q. Okay. So there's money that's staying</p> <p>18 within the Department of Transportation fund</p> <p>19 that's just a cash balance, that's --</p> <p>20 A. No.</p> <p>21 Q. No?</p> <p>22 A. Because there's a subsidy. It would --</p> <p>23 money could go to reduce the subsidy; but you</p> <p>24 wouldn't necessarily have money transferring from</p> <p>25 the -- from that fund because it's a special</p>	<p style="text-align: right;">Page 300</p> <p>1 JOHN W. HILL</p> <p>2 general fund subsidizes the department can be</p> <p>3 reduced; correct?</p> <p>4 A. Yes; provided that -- there's a</p> <p>5 tremendous amount of disinvestment in</p> <p>6 infrastructure over time. So the age of the</p> <p>7 buses, the -- and all of that is a major issue.</p> <p>8 So, yes, if -- all things being equal,</p> <p>9 if you increase revenue and reduce costs from one</p> <p>10 year to the next, then the amount of the subsidy</p> <p>11 needed could be reduced.</p> <p>12 Q. Are actual real estate prices in the</p> <p>13 city increasing in the last year?</p> <p>14 A. On some properties; on others,</p> <p>15 decreasing.</p> <p>16 Q. Which properties are increasing in value</p> <p>17 in the city?</p> <p>18 A. It depends on where they're located.</p> <p>19 Q. I mean the average real estate value has</p> <p>20 increased in the city; correct?</p> <p>21 A. The average real estate value has</p> <p>22 increased?</p> <p>23 I know we've recently had -- I don't</p> <p>24 know. I couldn't say what the average real estate</p> <p>25 value has been.</p>

Pages 297 to 300

Page 301

1 **JOHN W. HILL**

2 MR. SMITH: Why don't we take a break

3 real quick.

4 THE VIDEOGRAPHER: Going off the record

5 at 4:23.

6 (Short break taken.)

7 THE VIDEOGRAPHER: We are back on the

8 record at 4:31.

9 BY MR. SMITH:

10 Q. Mr. Hill, can you identify any other

11 cities that proposed a billion dollars in new

12 spending when it's in fiscal crisis?

13 **A. No, I don't know of any other city.**

14 Q. And, certainly, the District of Columbia

15 didn't propose a billion dollars in new spending

16 when it was in fiscal crisis; correct?

17 **A. No.**

18 Q. Would you agree that the City's

19 restructuring and reinvestment plan is a novel

20 effort that is something that hasn't been tried

21 before in a city?

22 **A. I wouldn't be able to speak to that.**

23 Q. Can you identify any city that's ever

24 put together a similar restructuring and

25 reinvestment plan?

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1 JOHN W. HILL

2 **A. I wouldn't know if one existed.**

3 Q. So you can't identify one?

4 **A. I wouldn't know if one existed.**

5 Q. You can't identify one?

6 MR. BARNOWSKI: Object to form.

7 THE WITNESS: I wouldn't know. So I

8 don't know.

9 BY MR. SMITH:

10 Q. So you never -- as far as you're aware,

11 nobody in the City has ever taken the time to look

12 and see if any other city has ever tried a

13 restructuring and reinvestment plan like Detroit

14 is proposing here; correct?

15 **A. I don't know how I would know what other**

16 **people in the City have looked at.**

17 Q. That's not -- I mean, who came up with

18 the restructuring and reinvestment plan? Who was

19 the author -- whose idea was that?

20 **A. I don't know whose idea it was. I know**

21 **that it's Kevyn Orr's responsibility and that**

22 **there are, as we've all talked about, a number of**

23 **people who are involved in supporting the numbers**

24 **that are there and coming up with them. So...**

25 **(Exhibit Hill-20 was marked for**

Page 303

1 **JOHN W. HILL**

2 **identification.)**

3 BY MR. SMITH:

4 Q. I'm going to hand you what's been marked

5 as Exhibit 20. Let me know if you've ever seen

6 this before, this document.

7 **A. Yes.**

8 Q. You've seen this before?

9 **A. Yes.**

10 Q. And how long ago did you see this?

11 **A. I don't remember the first time that I**

12 **saw it.**

13 Q. Did you do any --

14 **A. But fairly recent.**

15 Q. You see that you've been designated as a

16 witness on some of these topics?

17 **A. Yes.**

18 Q. Did you do anything to prepare for any

19 of those topics?

20 **A. Yes.**

21 Q. What did you do?

22 **A. Which topics?**

23 Q. Well, I guess any of them. I mean . . .

24 **A. I had conversations with my staff on --**

25 **on some of the issues; read documents, some**

Page 304

1 **JOHN W. HILL**

2 **documents.**

3 Q. How much time did you spend preparing

4 your expert opinions in this case?

5 **A. I didn't -- I didn't add up the time,**

6 **but it was considerable.**

7 Q. When you say "considerable," can you

8 give me an estimate? It doesn't have to be down

9 to the minute or anything like that.

10 **A. Several days. Several hours over the**

11 **course of several days.**

12 **(Exhibit Hill-21 was marked for**

13 **identification.)**

14 BY MR. SMITH:

15 Q. I'm going to hand you what's been marked

16 as Exhibit 21. It's another email that you're on.

17 In the middle of the page there's, from John

18 Naglick, there's an email that says "EY (Shavi)

19 takes part to keep the group on track with

20 comparisons to Plan of Adjustment. They try to

21 mainly listen to the point of view of the

22 participants, but then keep them from taking a

23 totally different view from revenues in the plan.

24 Don't know when the plan is to share this with the

25 FAB."

Pages 301 to 304

<p style="text-align: right;">Page 305</p> <p>1 JOHN W. HILL</p> <p>2 Do you see that?</p> <p>3 A. Yes.</p> <p>4 Q. And Ernst & Young, while it was working</p> <p>5 on this bankruptcy case, was participating in the</p> <p>6 discussions of the consensus revenue group; is</p> <p>7 that correct?</p> <p>8 A. They were in the room; yes.</p> <p>9 Q. And the purpose of having Ernst & Young</p> <p>10 in the room was to make sure that the revenue</p> <p>11 estimates that Ernst & Young did -- to make sure</p> <p>12 that the consensus group didn't adopt revenue</p> <p>13 estimates that were materially different from</p> <p>14 Ernst & Young's; correct?</p> <p>15 A. No.</p> <p>16 Q. What was the purpose of having Ernst &</p> <p>17 Young, then?</p> <p>18 A. To answer questions, if they had any</p> <p>19 questions, of Ernst & Young. But it wasn't to</p> <p>20 influence the group.</p> <p>21 Q. And Mr. Naglick said, quote, "EY (Shavi)</p> <p>22 takes part to keep the group on track with</p> <p>23 comparisons to Plan of Adjustment. They try to</p> <p>24 mainly listen to the point of view of the</p> <p>25 participants, but then keep them from taking a</p>	<p style="text-align: right;">Page 307</p> <p>1 JOHN W. HILL</p> <p>2 A. There was a point in time when people</p> <p>3 questioned whether or not we had it, and it was my</p> <p>4 decision to have it.</p> <p>5 Q. Okay. So people -- there were people at</p> <p>6 the City that questioned whether it was a good</p> <p>7 idea to have the consensus revenue conference;</p> <p>8 correct?</p> <p>9 A. Yes.</p> <p>10 Q. And you wanted to continue the</p> <p>11 conference so that you could make sure that it was</p> <p>12 consistent with what the revenue estimates were in</p> <p>13 the Plan of Adjustment?</p> <p>14 A. No.</p> <p>15 Q. What was your reason for continuing the</p> <p>16 conference?</p> <p>17 A. To make sure that the -- if there were</p> <p>18 major differences between the Plan of Adjustment</p> <p>19 and what the conference was projecting, then that</p> <p>20 we would be able to make changes in the plan. I</p> <p>21 wasn't -- I wasn't -- I tried very hard not to</p> <p>22 influence the process at all, because I wanted</p> <p>23 them to dig into those revenues. And I wanted</p> <p>24 them to feel free to come up with differences,</p> <p>25 because it's better to know that now than to have</p>
<p style="text-align: right;">Page 306</p> <p>1 JOHN W. HILL</p> <p>2 totally different view from revenues in the plan."</p> <p>3 Is that an accurate statement of Ernst &</p> <p>4 Young's role?</p> <p>5 A. Not exactly. They were to explain what</p> <p>6 was in the plan so that -- Ernst & Young's role,</p> <p>7 they were there to explain what was in the plan so</p> <p>8 that they would be able to understand what</p> <p>9 revenues were being projected as part of the plan</p> <p>10 and what revenues were being projected as part of</p> <p>11 the budget, because there were revenues in the</p> <p>12 plan that weren't a part of the budget. So it was</p> <p>13 more to explain what was in the plan.</p> <p>14 Q. Well, if you go like down to the next</p> <p>15 sentence -- the next email in the chain is from</p> <p>16 you. Below that it says "Let's talk about this.</p> <p>17 There are some good reasons to keep this process.</p> <p>18 It keeps everyone in sync with what's in Plan of</p> <p>19 Adjustment."</p> <p>20 Do you see that?</p> <p>21 A. Yes.</p> <p>22 Q. And so from your view, was there a point</p> <p>23 in time when having the consensus revenue</p> <p>24 conference -- it might have been potentially</p> <p>25 discontinued?</p>	<p style="text-align: right;">Page 308</p> <p>1 JOHN W. HILL</p> <p>2 a revenue number that's there that you don't</p> <p>3 expect to have happen.</p> <p>4 Q. The consensus conference only looked at</p> <p>5 revenues for three years; correct?</p> <p>6 A. Right.</p> <p>7 Q. You never asked the consensus conference</p> <p>8 to check the revenue estimates that were in the</p> <p>9 E&Y forecasts beyond three years; correct?</p> <p>10 A. The purpose of the revenue conference</p> <p>11 was to come up with the revenues to be included in</p> <p>12 the budget. And that's -- yeah. That's what I</p> <p>13 asked them to do.</p> <p>14 Q. So the revenue conference, you never</p> <p>15 asked them to look at the E&Y estimates for the --</p> <p>16 going out ten years or 40 years to evaluate</p> <p>17 whether those estimates were reliable; correct?</p> <p>18 A. No, I never asked them to do that.</p> <p>19 Q. Conway MacKenzie also participated in</p> <p>20 the consensus revenue group; correct?</p> <p>21 A. I believe at some of the meetings --</p> <p>22 because there were a number of meetings they were</p> <p>23 there. I wasn't -- I wasn't in all of the</p> <p>24 meetings myself, but there were some that they</p> <p>25 were there.</p>

Pages 305 to 308

<p style="text-align: right;">Page 309</p> <p>1 JOHN W. HILL</p> <p>2 Q. Were there other advisers involved in</p> <p>3 the litigation that were present at the revenue</p> <p>4 conference proceedings --</p> <p>5 MR. STEWART: Objection -- objection.</p> <p>6 BY MR. SMITH:</p> <p>7 Q. -- other than Conway MacKenzie and</p> <p>8 Ernst & Young?</p> <p>9 A. Conway MacKenzie and Ernst & Young were</p> <p>10 involved. I don't know of other consultants that</p> <p>11 were involved.</p> <p>12 (Exhibit Hill-22 was marked for</p> <p>13 identification.)</p> <p>14 BY MR. SMITH:</p> <p>15 Q. I'm going to hand you what's been marked</p> <p>16 as Exhibit 22, a copy of a judgment. Can you tell</p> <p>17 me anything about that judgment? Or do you have</p> <p>18 no information about it?</p> <p>19 A. I don't know anything about this</p> <p>20 judgment.</p> <p>21 (Exhibit Hill-23 was marked for</p> <p>22 identification.)</p> <p>23 BY MR. SMITH:</p> <p>24 Q. And I'm going to hand you a copy of</p> <p>25 Exhibit 23. Can you let me know if you have</p>	<p style="text-align: right;">Page 311</p> <p>1 JOHN W. HILL</p> <p>2 Q. And are those the judgments --</p> <p>3 Exhibit 22 and 23, are those the judgments where</p> <p>4 the City ended up raising property tax to pay</p> <p>5 them?</p> <p>6 A. Yes. I believe they are.</p> <p>7 Q. You see, for example, Exhibit 23 was for</p> <p>8 \$74 million?</p> <p>9 A. Yes.</p> <p>10 Q. And how much was the other one?</p> <p>11 A. This was the 111 million.</p> <p>12 Q. 111 million; is that correct?</p> <p>13 MR. STEWART: Is it 22 or 23?</p> <p>14 MR. SMITH: 22.</p> <p>15 THE WITNESS: I don't know this one.</p> <p>16 BY MR. SMITH:</p> <p>17 Q. Mr. Hill, do you use your private email</p> <p>18 for work-related matters?</p> <p>19 A. No. There may have been occasions</p> <p>20 where, because I'm using my phone, that I might be</p> <p>21 typing an email. On the iPhone, you flip through</p> <p>22 the email accounts before you send it. So there</p> <p>23 may have been an occasion where I've used it. But</p> <p>24 I don't routinely use my private email.</p> <p>25 Q. You've got an email account that's</p>
<p style="text-align: right;">Page 310</p> <p>1 JOHN W. HILL</p> <p>2 any --</p> <p>3 MR. MOSS: Sorry. Exhibit what?</p> <p>4 MR. SMITH: Exhibit 23.</p> <p>5 BY MR. SMITH:</p> <p>6 Q. Can you let me know if you have any</p> <p>7 information about that judgment.</p> <p>8 MR. STEWART: You gave me one that</p> <p>9 has -- it's highlighted. Not that I object,</p> <p>10 but I don't know if you gave me your copy.</p> <p>11 MR. SMITH: My highlighting will be</p> <p>12 fascinating.</p> <p>13 (Simultaneous cross-talk.)</p> <p>14 MR. STEWART: I didn't want to get one</p> <p>15 that had any of your work product on it.</p> <p>16 BY MR. SMITH:</p> <p>17 Q. Mr. Hill, can you tell me anything about</p> <p>18 the judgment in Exhibit 23?</p> <p>19 A. I don't know these judgments</p> <p>20 specifically, I mean, the purpose of the</p> <p>21 judgments.</p> <p>22 Q. Do you know anything about these</p> <p>23 judgments?</p> <p>24 A. I believe that these are the judgments</p> <p>25 that -- where there was a demand payment.</p>	<p style="text-align: right;">Page 312</p> <p>1 JOHN W. HILL</p> <p>2 jhill@hillgroup.com?</p> <p>3 A. Yes.</p> <p>4 Q. And don't you use that for work-related</p> <p>5 matters?</p> <p>6 A. I have -- I've used that mostly when I</p> <p>7 was on -- when I was doing the work as a</p> <p>8 consultant, so there may be some emails in there.</p> <p>9 I've tried to use my Detroit email only for</p> <p>10 business as CFO.</p> <p>11 Q. And you've got another personal email</p> <p>12 account; is that correct?</p> <p>13 A. I have several other personal email</p> <p>14 accounts.</p> <p>15 Q. Okay. Have any of your personal email</p> <p>16 accounts been searched for relevant documents in</p> <p>17 this case?</p> <p>18 A. I don't know what's been searched. I</p> <p>19 don't know.</p> <p>20 Q. Were there any other relevant aspects of</p> <p>21 the Washington, D.C., experience that we haven't</p> <p>22 talked about?</p> <p>23 MR. STEWART: Objection.</p> <p>24 THE WITNESS: Yes.</p> <p>25 BY MR. SMITH:</p>

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1 JOHN W. HILL
2 Q. Okay. What are those? What are they?
3 A. Well, one of the major differences is
4 that in Washington, D.C., as soon as the problems
5 were identified, as soon as there was any hint of
6 financial difficulty, it was probably a span of
7 time of two years between the time that problems
8 were identified that the Congress asked GAO to do
9 their reviews, that the Control Board was created,
10 so that these issues did not languish for years
11 and years and years and years without attention.
12 So there was quick action, and things
13 never got as bad as they are in Detroit. So by
14 comparison, the City's deficit never went to the
15 levels that Detroit's deficit has gone to. And I
16 contribute -- I believe that's a result of the
17 Congress has exclusive jurisdiction over the
18 District, and it acted immediately.
19 None of the residents in the District of
20 Columbia have a vote in the Congress of the United
21 States. So there was no political requirement to
22 consider the -- what the residents of the District
23 of Columbia thought about the actions that the
24 Congress was taking, because they're not
25 represented in the Congress of the United States.

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1 JOHN W. HILL
2 So the Congress could act without any
3 political consequence. And I believe that had an
4 impact on the type of immediate action and
5 concerted effort that was -- that was exerted by
6 both of President of the United States and the
7 Congress at the time.
8 Q. So you would agree that your experience
9 in the District of Columbia is not necessarily --
10 I mean, the District of Columbia is not
11 necessarily comparable to Detroit?
12 A. I would say that there are aspects of it
13 that are comparable and there are aspects that are
14 not.
15 And that's with any comparison to any --
16 there's nothing -- there are no two that are going
17 to be identical.
18 Q. Do you have any explanation why Detroit
19 didn't address its fiscal problems sooner?
20 A. I don't know.
21 Q. Would it be fair to say that you're not
22 an expert on the causes of Detroit's fiscal
23 problems?
24 A. I'm not an expert on the causes of
25 Detroit's fiscal problems.

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1 JOHN W. HILL
2 (Exhibit Hill-24 was marked for
3 identification.)
4 BY MR. SMITH:
5 Q. Let me hand you what's been marked as
6 Exhibit 24. There are some facts from the Detroit
7 Regional Chamber of Commerce, Regional Chamber.
8 Have you seen this type of document
9 before in the Regional Chamber?
10 A. I've not seen this document.
11 Q. Do you interact with the Detroit
12 Regional Chamber?
13 A. I haven't had any interaction that I
14 know of.
15 Q. Okay. I just wanted to ask you about
16 the slide labeled "Detroit Facts."
17 A. Uh-huh.
18 Q. It says there's been approximately
19 12 billion US in private investments since 2006 in
20 Detroit.
21 Do you see that?
22 A. Where is that?
23 Q. There's a slide called "Detroit Facts"?
24 A. Oh, "Bankruptcy Facts," "Detroit Facts."
25 Okay.

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1 JOHN W. HILL
2 Q. It says that there's been approximately
3 12 billion US in private investments since 2006 in
4 Detroit. Do you have any basis to dispute that
5 figure?
6 A. I have no basis to support it or dispute
7 it.
8 Q. And this says that 12,000 new jobs in
9 Detroit's central business district have been
10 created since 2010. Do you have any basis to
11 dispute that figure?
12 A. I don't know the figure or where it's
13 coming from.
14 Q. Would you agree that there's been an
15 improvement or a -- there's been an improvement in
16 employment conditions in Detroit's central
17 business district?
18 A. I agree that there's been new jobs. I
19 don't know that it's 12,000 or not. I agree that
20 there's been new jobs created.
21 Q. And what kind of new jobs have come to
22 Detroit's central business district in the last
23 couple of years?
24 A. The ones that I'm specifically aware of
25 are related to the incubator that's been created

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<p style="text-align: right;">Page 317</p> <p>1 JOHN W. HILL</p> <p>2 by the Quicken Loan family of companies. So there</p> <p>3 are -- there are a number of businesses that are</p> <p>4 being incubated in many of the buildings that they</p> <p>5 have that are -- that have created new jobs that</p> <p>6 have come to the city.</p> <p>7 Q. And it says that unemployment has</p> <p>8 decreased by 12 percent since July 2009. Do you</p> <p>9 have any basis to dispute that figure?</p> <p>10 A. I'd have to know what unemployment was</p> <p>11 in 2009, but -- and I don't. So I don't have any</p> <p>12 basis to --</p> <p>13 Q. In general, you don't know what the</p> <p>14 unemployment figures have been in Detroit in the</p> <p>15 last several years, do you?</p> <p>16 A. I know in general what the</p> <p>17 unemployment -- I know in general the unemployment</p> <p>18 figures, I know that based on the work that was</p> <p>19 done on the revenue estimation that the</p> <p>20 unemployment figures have decreased over the last</p> <p>21 several years. I do know that. We're talking</p> <p>22 about the magnitude.</p> <p>23 Q. And the unemployment figures in Detroit</p> <p>24 have decreased without restructuring or</p> <p>25 reinvestment; correct?</p>	<p style="text-align: right;">Page 319</p> <p>1 JOHN W. HILL</p> <p>2 So -- and I haven't looked at that.</p> <p>3 BY MR. SMITH:</p> <p>4 Q. Do the City's forecasts, including the</p> <p>5 Ernst & Young forecast, use the kind of numbers</p> <p>6 you're talking about or do they just use</p> <p>7 unemployment figures?</p> <p>8 MR. STEWART: Objection.</p> <p>9 THE WITNESS: I -- you'd have to ask</p> <p>10 Ernst & Young that.</p> <p>11 BY MR. SMITH:</p> <p>12 Q. It says that housing prices have</p> <p>13 increased by 25 percent since July of 2012. Do</p> <p>14 you have any basis to dispute that?</p> <p>15 A. I don't have any basis to comment on it.</p> <p>16 Q. Are there aspects of your job that we</p> <p>17 haven't discussed as CFO?</p> <p>18 A. I'm not sure I understand the question.</p> <p>19 Q. Okay.</p> <p>20 A. Have we covered -- well, I won't ask the</p> <p>21 question.</p> <p>22 Q. Why don't I ask you this: At some</p> <p>23 point, were you asked to collect memorandum from</p> <p>24 different departments about implementation of the</p> <p>25 Plan of Adjustment?</p>
<p style="text-align: right;">Page 318</p> <p>1 JOHN W. HILL</p> <p>2 MR. STEWART: Objection.</p> <p>3 THE WITNESS: You mean the plan hasn't</p> <p>4 caused it? The plan hasn't been implemented.</p> <p>5 So -- I'm not sure what you're --</p> <p>6 BY MR. SMITH:</p> <p>7 Q. I mean, the employment situation in</p> <p>8 Detroit has improved just as a result of natural</p> <p>9 circumstances; correct?</p> <p>10 MR. STEWART: Objection.</p> <p>11 THE WITNESS: Well, you know,</p> <p>12 unemployment percentage, you have to look at</p> <p>13 what's included in the unemployment</p> <p>14 percentage.</p> <p>15 When -- the unemployment percentage does</p> <p>16 not take into consideration people who have</p> <p>17 gotten tired of looking for jobs and are no</p> <p>18 longer in the workplace.</p> <p>19 So in order to get a real feel about</p> <p>20 what's happening in employment, you can't</p> <p>21 just use the unemployment number. You'd have</p> <p>22 to -- have to know how many people were in</p> <p>23 the workforce before and how many people are</p> <p>24 no longer looking for jobs because they'd no</p> <p>25 longer be in the unemployment numbers.</p>	<p style="text-align: right;">Page 320</p> <p>1 JOHN W. HILL</p> <p>2 A. To collect memorandum?</p> <p>3 Q. Yeah.</p> <p>4 A. No.</p> <p>5 (Exhibit Hill-25 was marked for</p> <p>6 identification.)</p> <p>7 BY MR. SMITH:</p> <p>8 Q. Let me ask you if -- I'll hand you</p> <p>9 what's been marked as Exhibit 25, and you can let</p> <p>10 me know if you've ever seen this document before.</p> <p>11 A. Yes.</p> <p>12 Q. Did you have any involvement with these</p> <p>13 memoranda that are in the document?</p> <p>14 A. I had involvement with the one related</p> <p>15 to finance. The other ones, I did not have</p> <p>16 involvement with those.</p> <p>17 Q. Other than the finance memoranda</p> <p>18 contained in the exhibit, Exhibit 25, can you</p> <p>19 provide me with any information or comment on any</p> <p>20 of the memorandum from the other different</p> <p>21 departments that are in Exhibit 25?</p> <p>22 MR. STEWART: Objection.</p> <p>23 THE WITNESS: No. I wasn't -- I wasn't</p> <p>24 in the meetings that occurred around this.</p> <p>25 BY MR. SMITH:</p>

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<p style="text-align: right;">Page 321</p> <p>1 JOHN W. HILL</p> <p>2 Q. So you don't have any information about</p> <p>3 that to provide me?</p> <p>4 A. No.</p> <p>5 Q. Do you know why these memoranda were</p> <p>6 solicited or who solicited them?</p> <p>7 A. Yes.</p> <p>8 Q. Okay. What do you know about that?</p> <p>9 A. I know that the Mayor was soliciting</p> <p>10 memoranda to be the basis of his meetings with his</p> <p>11 department to help inform his judgment and</p> <p>12 thinking about the implementation of the Plan of</p> <p>13 Adjustment.</p> <p>14 Q. Did the Mayor raise specific concerns</p> <p>15 about the implementation of the Plan of</p> <p>16 Adjustment?</p> <p>17 A. I wasn't -- the only meeting that I was</p> <p>18 in with the Mayor on this was the -- and because I</p> <p>19 was a named witness and the Mayor had</p> <p>20 representatives from the judge in some of these</p> <p>21 meetings, I couldn't be there without counsel. So</p> <p>22 I was not in any meetings except for the one</p> <p>23 related to finance.</p> <p>24 But the Mayor was going through a</p> <p>25 process of reviewing all of these with his agency</p>	<p style="text-align: right;">Page 323</p> <p>1 JOHN W. HILL</p> <p>2 projection across the years up top and then</p> <p>3 initiatives separate down at the bottom that have</p> <p>4 revenue associated with them and expenditures</p> <p>5 associated with them.</p> <p>6 So it's hard for the agency directors to</p> <p>7 automatically understand that format versus a</p> <p>8 budget format that might have all of the</p> <p>9 expenditures in one place and all of the revenues</p> <p>10 that are expected to be generated in one place.</p> <p>11 So there are a lot of issues around the format and</p> <p>12 not understanding that -- but the plans did have</p> <p>13 increases in staffing, but that wasn't in -- that</p> <p>14 was in the reinvestment initiatives. It wasn't in</p> <p>15 the steady State projections.</p> <p>16 So there were those -- those initial</p> <p>17 difficulties.</p> <p>18 Q. And were there department heads that</p> <p>19 were upset that there might not be increases in</p> <p>20 staffing for their departments under the plan?</p> <p>21 A. And that's -- that's because -- there</p> <p>22 were some, yes. And that's because they didn't</p> <p>23 know where to look in the plan for the increases.</p> <p>24 Q. Which departments were upset about that,</p> <p>25 if you can recall?</p>
<p style="text-align: right;">Page 322</p> <p>1 JOHN W. HILL</p> <p>2 directors, and he was as much trying to make sure</p> <p>3 that the agency directors understood what was in</p> <p>4 the plan and that they were putting plans in place</p> <p>5 to implement the plan as he was trying to inform</p> <p>6 his own opinion on the plan.</p> <p>7 Q. And I think at some point you had</p> <p>8 mentioned that there was some misunderstandings by</p> <p>9 the department heads about what was in the plan;</p> <p>10 is that correct?</p> <p>11 A. That's correct.</p> <p>12 Q. And what were those misunderstandings?</p> <p>13 A. It's very hard for me to remember the</p> <p>14 exact misunderstandings. But the ones that -- the</p> <p>15 ones that I can remember related to what was</p> <p>16 involved in the implementation of some of the</p> <p>17 restructuring initiatives, so -- and where the</p> <p>18 numbers were coming from.</p> <p>19 The biggest misunderstandings that I</p> <p>20 think happened about the plan -- the biggest</p> <p>21 misunderstandings I believe that happened about</p> <p>22 the plan was that the plan had -- had -- is in a</p> <p>23 different format than people who are driving</p> <p>24 budgets in governments understand because the</p> <p>25 plan, as you know, is constructed with a</p>	<p style="text-align: right;">Page 324</p> <p>1 JOHN W. HILL</p> <p>2 A. The -- upset -- that were concerned,</p> <p>3 certainly, the police, the police department,</p> <p>4 because of their civilianization project, which</p> <p>5 was a plan item which asks staff to replace the</p> <p>6 officers. But that's in the plan. It's not up in</p> <p>7 what they would consider the budget part of it.</p> <p>8 So -- so they had to understand that, so</p> <p>9 I know, initially, people within the police</p> <p>10 department were concerned. And there were others</p> <p>11 as well.</p> <p>12 Q. What are the most -- the departments</p> <p>13 that have been most difficult to deal with in</p> <p>14 terms of trying to get a handle on revenues and</p> <p>15 costs and implement the plan?</p> <p>16 A. You know, I wouldn't say any of them</p> <p>17 have been -- I wouldn't characterize my</p> <p>18 relationship with them as difficult. There's</p> <p>19 always in cities, there are more things that</p> <p>20 people have to spend funds on than the funds that</p> <p>21 might be available. So there's always that</p> <p>22 control that has to be exerted over whether or not</p> <p>23 resources are available to do the things that they</p> <p>24 need to do. So that's just a normal course of</p> <p>25 government.</p>

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<p style="text-align: right;">Page 325</p> <p>1 JOHN W. HILL</p> <p>2 I wouldn't say that there were any that</p> <p>3 were -- that were difficult or disrespectful. I</p> <p>4 think it's been fairly a noncontentious process</p> <p>5 for me.</p> <p>6 Q. Have you had to reject several requests</p> <p>7 for expenditures during the pendency of your work</p> <p>8 as CFO?</p> <p>9 A. Yes.</p> <p>10 Q. What were the biggest things that you</p> <p>11 had to reject that people were proposing?</p> <p>12 A. Well, some of the largest items. Some</p> <p>13 of it was a matter of timing, you know, and when</p> <p>14 funding might be available in the plan. So I've</p> <p>15 had to reject some of the projects related to</p> <p>16 implementation of certain systems within the human</p> <p>17 resource area because they had not done any of the</p> <p>18 work associated with changing the processing --</p> <p>19 processes yet, so that those projects were</p> <p>20 rejected.</p> <p>21 Q. Do you plan to do any more work for your</p> <p>22 expert opinions, to develop more opinions?</p> <p>23 A. Do I plan to develop more opinions?</p> <p>24 Q. Yeah, other than what's in your expert</p> <p>25 report.</p>	<p style="text-align: right;">Page 327</p> <p>1 JOHN W. HILL</p> <p>2 initiatives outside of the plan in the</p> <p>3 restructuring initiatives that we haven't talked</p> <p>4 about that you're aware of?</p> <p>5 A. No, there really aren't.</p> <p>6 Q. Okay.</p> <p>7 MR. STEWART: Just trivial. The</p> <p>8 exhibit, the even number of pages didn't get</p> <p>9 copied. I don't think it makes a difference.</p> <p>10 You might want to substitute. We have no</p> <p>11 objection if you do.</p> <p>12 MR. SMITH: Okay. We can substitute</p> <p>13 that later. Okay. Well, does anybody else</p> <p>14 have any questions? Anybody on the phone?</p> <p>15 THE VIDEOGRAPHER: This concludes the</p> <p>16 video deposition of John Hill. Going off the</p> <p>17 record at 5:06.</p> <p>18 (Videotaped deposition concluded at</p> <p>19 5:06 p.m.)</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
<p style="text-align: right;">Page 326</p> <p>1 JOHN W. HILL</p> <p>2 A. I don't have plans to.</p> <p>3 Q. Good job. Right answer.</p> <p>4 I mean, I think I asked you at the</p> <p>5 beginning whether, you know, basically what you're</p> <p>6 going to testify about. Do you think we've</p> <p>7 covered all the areas that you're planning to</p> <p>8 testify about, or do you not know what you're</p> <p>9 going to testify about yet?</p> <p>10 A. No, no, no. I think that you've</p> <p>11 covered -- you've covered the areas. However,</p> <p>12 there may be others that you haven't covered.</p> <p>13 Q. Like what?</p> <p>14 A. I don't know what they are at this</p> <p>15 point.</p> <p>16 Q. Okay.</p> <p>17 A. I have to go back and look at everything</p> <p>18 that you've covered and look at what I've covered</p> <p>19 and see if there's some differences. Offhand, I</p> <p>20 can't think of any.</p> <p>21 Q. Are there any major initiatives the City</p> <p>22 has that we haven't discussed yet?</p> <p>23 A. Major initiatives? Not that -- that I'm</p> <p>24 involved in?</p> <p>25 Q. I mean, basically, are there any major</p>	<p style="text-align: right;">Page 328</p> <p>1 JOHN W. HILL</p> <p>2</p> <p>3 C E R T I F I C A T I O N</p> <p>4</p> <p>5</p> <p>6 I hereby certify that I have read the</p> <p>7 foregoing transcript of my deposition testimony,</p> <p>8 and that my answers to the questions propounded,</p> <p>9 with the attached corrections or changes, if any,</p> <p>10 are true and correct.</p> <p>11</p> <p>12 -----</p> <p>13 JOHN W. HILL</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

Pages 325 to 328

1 JOHN W. HILL
2 CERTIFICATE OF SHORTHAND REPORTER
3

4 I, Gail Inghram Verbano, Registered
5 Diplomate Reporter, Certified Realtime Reporter,
6 Certified Shorthand Reporter (CA) and Notary
7 Public, the officer before whom the foregoing
8 proceedings were taken, do hereby certify that the
9 foregoing transcript is a true and correct record
10 of the proceedings; that said proceedings were
11 taken by me stenographically and thereafter
12 reduced to typewriting under my supervision; and
13 that I am neither counsel for, related to, nor
14 employed by any of the parties to this case and
15 have no interest, financial or otherwise, in its
16 outcome.
17
18
19
20

21 _____
22 Gail Inghram Verbano, CSR, RDR, CRR
23 CA-CSR No. 8635
24
25

A				
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CERTIFICATE OF SERVICE

I, Heather Lennox, hereby certify that the foregoing City Of Detroit's Response in Opposition to Syncora's Motion to Exclude the Testimony of John W. Hill was filed and served via the Court's electronic case filing and noticing system on this 27th day of August, 2014.

/s/ Heather Lennox